

A USEFUL LOOK AHEAD FROM WASHINGTON

MARCH 1974

Nation's Business

THE
VICE PRESIDENT
VIEWS
BUSINESS
ISSUES

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NCR makes sure retailers aren't left holding the bag!

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*Figures based on direct comparison of latest published Diners Club and American Express directories.



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<input type="checkbox"/> Mrs. <input type="checkbox"/> Ms.						Month Day Year		
Home Address		Street		City	State	ZIP Code		
Years at Present Address	Own Home <input type="checkbox"/> Rent <input type="checkbox"/>	Telephone (include area code)		Number of Dependent Children		Social Security Number		
Previous Home Address	Street	City	State	ZIP Code		Years there		
3. Firm Name or Employer		Nature of Business		Position				
Address		Street	City	State	ZIP Code			
Telephone (include area code)		Years with firm	Annual Earnings		NOTE: If annual earnings are less than \$10,000 indicate source of other income below			
Amount and Source of other income								
Previous Employer (if employed by above less than 3 years) or College/University if Recent Graduate				Yrs. with firm or yr. graduated				
Spouse's Employer		Address		Position	Annual Earnings			
Name and Address of Personal Reference (not living with you)								
4. Name of Bank and Branch		City & State		Acct. Number				
Type of Account: <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Loan								
Name of Bank and Branch		City & State		Acct. Number				
Type of Account: <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Loan								
Department Store Accounts		Other Credit Accts:						
1. _____		<input type="checkbox"/> American Express						
2. _____		<input type="checkbox"/> Carte Blanche						
3. _____		<input type="checkbox"/> Bank Americard						
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5. _____		Other: _____						
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Signature of Individual Applicant Date

(HAVE YOU SIGNED THIS APPLICATION?)

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Cover photograph by George Tames

Nation's Business is published monthly at 1615 H Street N.W., Washington, D.C. 20006. Subscription rates: United States and possessions \$34.75 for three years; Canadian \$14 a year. Printed in U.S.A. Second class postage paid at Washington, D.C., and at additional mailing offices. © 1974 by Nation's Business—the Chamber of Commerce of the United States. All rights reserved. Nation's Business is available by subscription only. Postmaster: please send form 3579 to 1615 H Street N.W., Washington, D.C. 20006. Editorial Headquarters—1615 H Street N.W., Washington, D.C. 20006. Circulation Headquarters—1615 H Street N.W., Washington, D.C. 20006. Advertising Headquarters—711 Third Avenue, New York, N.Y. 10017. Atlanta: James M. Yandle, 62 Perimeter Center East; Chicago: Herbert F. Ohms Jr., 233 North Michigan Ave.; Cleveland: Gerald A. Warren, 1046 Hanna Building; Detroit: Robert H. Gotshall, 857 Fisher Building; New York: Raymond P. Murray, 711 Third Avenue; Philadelphia: Herman C. Sturm, 1034 Suburban Station Building; San Francisco: Robert Zurich, Zurich & Follansbee, 465 California Street; Los Angeles: Jack Follansbee, Zurich & Follansbee, 711 South Vermont Avenue.

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memo from the editor

If you believe the old saying, "Nice guys finish last," you'd better take a look at Jerry Ford.

The Vice President is still a "nice guy," friendly, frank and aboveboard. He's also considered a friend of business.

We thought you would be interested in his views on issues which concern you as a businessman. Getting them wasn't easy, in spite of his friendliness. He's going at a frantic pace, not only performing all the functions of his office, but honoring the many commitments made before becoming Vice President.

Our Associate Editor Vernon Louviere, however, managed to attach himself to Mr. Ford for a couple of days, including a lengthy private interview in Mr. Ford's plane on a flight to Grand Rapids. His article starts on page 54.

Incidentally, whatever plane the Vice President flies in is dubbed "Air Force Two." Generally, it's not a huge, modern jet, but a two-engine Convair—an old, reliable turboprop.

• • •

An example of Mr. Ford's philosophy is a ringing defense of profit which he delivered at a recent energy conference.

Noting that some people picture profit as a "rip-off," or exploitation, he declared: "In my view, the people who are hammering these notions into the national consciousness are playing a dangerous game. Carried to its ultimate conclusion, it can lead only to a centrally planned economy. Instead of a free marketplace, we would have one dictated to by a monolithic bureaucracy."

Correcting misconceptions about profit, as well as making people aware of other facts about business, is the function of a new unit established by the Chamber of Commerce of the United States. It's called the Center for Interpreting Business and will be speaking out for you. You will hear more about its activities as time goes on.

• • •

That conference which the Vice President addressed was sponsored by the National Chamber and the National Association of Manufacturers to help businessmen get a handle on the energy problem.

A star, of course, was energy boss William E. Simon.

On page 22, you'll find a special message which he prepared for our readers and an assessment of his and his assistants' goals and operating philosophy. There is a listing, too, of regional Federal Energy Office branches that might be able to help you.

A third man in the news this month is Peter F.



PHOTO: GENE DANIELS—BLACK STAR

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Drucker (see photo), the business philosopher, who's written a book that is just coming out.

A *Nation's Business* editor visited Mr. Drucker in his modest Claremont, Calif., home to get you an insight into the way this thinker thinks, writes and lives (see page 61).

The name Peter F. Drucker is probably one of the best known in all of business. Some people criticize him, others consider him unequalled. We lean toward the latter.

After all, his fee for consulting with corporate management is \$1,500 a day.

Jack Woodbridge

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The new **ENERGESAVER** Slimline fluorescent system uses 20% less electrical energy than General Electric's regular Slimline 8-foot lamp.

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what readers want to know

• **What's this I read about the federal budget containing "uncontrollable expenditures?" Does that really mean the government has lost control of spending?**

Well, one might think so, with everything that's going on in Washington. Actually, it means that many areas of spending have been determined by laws already on the books and over which budget planners have no control. For instance, some \$225 billion of the \$304.4 billion budget for fiscal 1975 was committed by law before the budget was wrapped up. This includes such items as Social Security, \$78.5 billion; interest on the national debt, \$30 billion; and veterans' programs, \$14 billion.

In his budget message to Congress, President Nixon noted that uncontrollable spending has risen from 59 per cent in 1967 to a current 74

per cent and will continue to increase.

• **Is Nelson Rockefeller serious? Here's a man who tried unsuccessfully in 1960, 1964 and 1968 to win the Republican Presidential nomination and now apparently is going to try again. What gives?**

There is no known immunization against Presidential fever. "Rocky," who failed to make it as a liberal, now has moderated his views—winning applause even from conservatives for his hard line on drug abuse and welfare in New York State. In addition to his changed image, Mr. Rockefeller, who resigned as the Empire State's Governor late last year, is using his vast wealth to keep him in the public eye. In bankrolling his "National Commission for Critical Choices for America" (which he vehemently denies is a platform for his

Presidential launching) his name will keep popping up when the G.O.P. steps up its search for a 1976 candidate.

The Governorship of New York has been an excellent springboard for Presidential aspirants—with Martin Van Buren, Grover Cleveland, Theodore Roosevelt and Franklin D. Roosevelt all moving up to the White House. Of course, other such aspirants, notably Alfred E. Smith and Thomas E. Dewey, didn't make it.

• **With the four-day workweek apparently catching on in this country, what kind of reception have employees given the forced three-day workweek in Great Britain?**

Some of them have given it a quite favorable reception—for a good reason. Many workers are permitted to choose which days they work, and select Thursday, Friday and Saturday, getting double time on Saturdays. That gives them four days' pay. And they collect unemployment compensation on the fifth day.

Not surprisingly, sales of paint, nails, lumber and other do-it-yourself items have risen dramatically. The British housewife is capitalizing on her husband's idleness.

• **Is any effort being made to help Americans living abroad to vote in elections back home?**

Despite several new laws on the subject approximately 750,000 U.S. citizens living abroad are finding it difficult to cast absentee ballots in our elections. Most states still drag their feet when it comes to overhauling antiquated voting machinery.

• **Is there any advantage in having a Swiss bank account?**

Only if you're trying to keep your bank account secret. Actually, there are many drawbacks. Interest rates are lower, Swiss banks load their customers down with fees of all kinds, and restrictions are imposed on American depositors both by their own government and by the Swiss government.

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executive trends

BY JOHN COSTELLO
Associate Editor

When you lick 'em, lick 'em good

Want to rise to the top?
And still be pals with your pals?
Then outdistance them by a country mile.

That, two psychologists advise, is often the secret of beating your rivals without leaving them bitter.

"Conventional wisdom says like attracts like," notes Dr. David R. Mettee, University of Denver, Denver, Colo.

"But just the reverse is often true." Experiments that he and colleague Dr. John Riskin ran show that a big win doesn't damage the self-esteem of those you licked.

They feel that they weren't really in the same class.

But nosing them out dents their egos and leaves a legacy of strong dislike.

"Comparisons with others," Dr. Mettee says, "are a primary means of self-evaluation, with the most accurate and hence most potent comparison information being derived from others who are similar."

"When others are greatly dissimilar, they are perceived as incomparable."

He adds: "In any profession, only a limited number of its members can be at the top, leaving the vast majority to function at lower levels."

But in the corporate world, the peers you passed may be vital to your continued success.

Showing that you're clearly superior, Dr. Mettee argues, "may help a majority of them to preserve their fragile sense of self-esteem."

The high cost of calories

Notice the guy with the gavel at a stockholders' get-together.

Or the head man at a board meeting.

Sure, he's tanned and good-looking. That's part of the corporate im-

age. But, usually, he's thin as well as dapper. And that's part of a natural bias against fatties, experts say.

The Robert Half Personnel Agencies, Inc., New York, N.Y., made a study of 50,000 executive jobs they'd filled. One fact stuck out like a bay window.

Only 9 per cent of the men who landed \$25,000 to \$50,000 jobs were 10 pounds or more overweight.

But of those who wound up in the \$10,000 to \$25,000 bracket, 39 per cent were.

"You'd expect," a company spokesman says, "to find just the opposite."

"Bigger jobs are usually filled by older men. And age is what helps put on the flab."

The figures mean, the firm says, that avoirdupois is a millstone to anyone on the way up.

Why is a fatso bypassed when promotions are handed out?

"Probably," a spokesman says, "because he shows that he can't discipline himself for the sake of his job—and the company. Overweight slows you down. The high cost of calories is failure."

Holding the pressure down

Ever dial a Zip Code?

Or sit on your eyeglasses?

Kind of embarrassing, isn't it? But it should tell you something. No, not necessarily that you're absent-minded or near-sighted.

It could be tension.

"Each of us has a sign or symptom which shows that stress is reaching an unhealthy level," says George M. Wheatley, M.D., vice president and chief medical director, Metropolitan Life Insurance Co.

"For one, it may be a headache or an upset stomach. For another, blowing his top—or the jitters."

Learn your own tell-tale signs of tension, Dr. Wheatley advises. Then,



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executive trends *continued*

he adds, do something to ease it. Here are some ways he recommends to prevent or manage stress:

• **Talk.** You need a good listener whom you respect and can trust. Maybe your wife, a good friend, your physician or clergyman. And in times of real emotional trouble, perhaps a psychiatrist.

• **Think.** Periodically, take time out to review what you want out of life—and your progress toward those goals. They may be different at 40 than they were at 20. If so, you may need to reorder your priorities.

• **Relax.** Take regular vacations. They're good for your mental health, for your family and maybe for your business. Hobbies help, too.

"Above all," Dr. Wheatley says, "know your emotions and what triggers them. Some people, and some situations, just naturally bug us. Others may make us panic or freeze."

"If we know what's happening, and why, we can better control our response."

Now, it's the seller beware

The warning was in black and white, right on the label on the can: "Inflammable mixture. Do not use near fire."

But the homeowner used the flooring adhesive anyway, while the pilot light was lit on the stove.

There was an explosion, and he was badly burned. So he sued.

Who won?

Not the manufacturer. He had to pay \$20,000 damages. The court refused to rule that the warning on the label was sufficient.

This case is cited by The Defense Research Institute, Inc., Milwaukee, Wisc., as an example of a growing trend.

"Twenty years ago," it says, "not more than a handful of cases in the courts involved questions of product liability. Today these suits are counted in the tens of thousands per year. Many of these cases have proven to be very costly."

"It is commonly assumed that manufacturers and sellers of products are in the best position to absorb the costs of product-related injuries."

What's the best defense? Here are

some steps that will help protect the manufacturer:

- Strict controls to make sure that only safe products are designed and made.
- Stringent precautions in the packaging, labeling and advertising.
- Clear instructions on proper use of the product, and appropriate warnings of any hazards it presents.
- Full and accurate records of these safeguards and precautions.

The manufacturer isn't the only one in jeopardy, the institute's "Products Liability: Guide for Management" points out.

Liability, it notes, applies to anyone who is in the business of selling the product.

"This includes . . . others in the chain of production or distribution, such as component parts suppliers, assemblers of parts, distributors, wholesalers and retailers."

You may not lose a suit, the institute adds, but even if you win, court costs and legal fees can be stiff—for you, or your insurer.

How we're doing behind the wheel

American men may be nearly the world's worst drivers, international statistics suggest.

Each year, 43 out of every 100,000 are killed in auto accidents.

That's tops among developed Western nations, except for West Germany. There the fatality rate for men is 45.6.

But we're less prone to cirrhosis of the liver.

The death rate from that malady is higher among males in Switzerland (19.6 per 100,000), West Germany (23.1), Spain (25.7), Italy (30.9), Portugal (39.3) and France (41.2) than here.

In the United States the rate for men is 18.7 per 100,000.

Which suggests, one wag says, that the auto gets us before the bottle can.

American women do better than men in both categories.

Their death rate is about one third as high from auto accidents, and about one half as high from cirrhosis of the liver.

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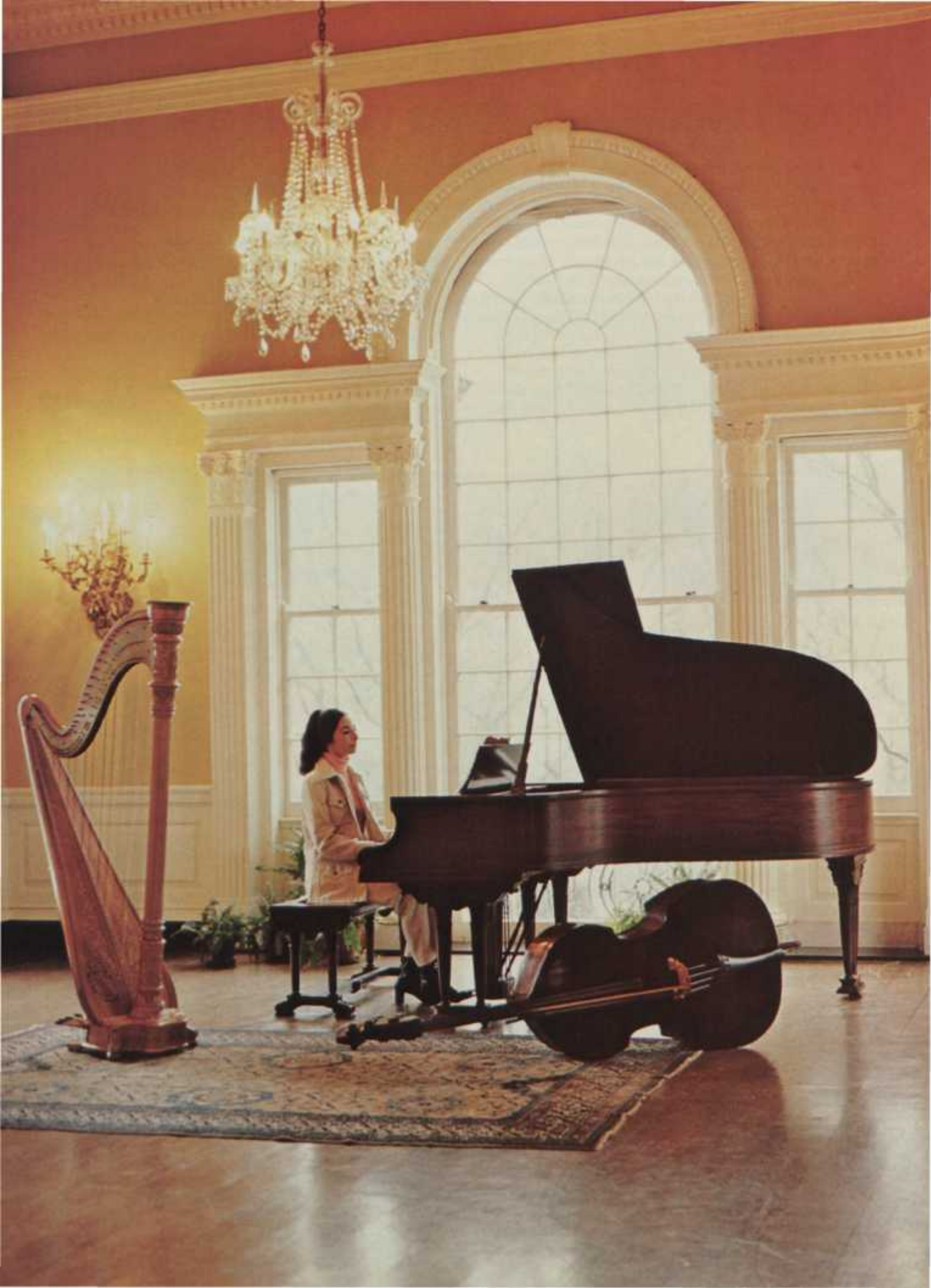
When your lease is up, Hertz provides the most turn-in locations and the most flexibility in turn-in matters. Our nationwide team of used car specialists will work to get you the best used car value. And that means we'll sell your car, rather than trade it in.

For more information on Hertz Car Leasing and the office nearest you, call John North, V.P. Sales, collect at 212-752-3506. We'll do our best to give your Hertz Finance Lease a happy ending.

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*Hertz leases trucks and other line cars.





"If you think Tennessee music is one long hoe~down, bite your tongue."

"Dick walked in after an interview at Vanderbilt University and said, 'Honey, think a couple of New Yorkers can find true happiness in Nashville? Seriously, it's a great offer. The department is terrific. We've got to make the move.'

"Gulp! Is that going to put a crimp in my music career? Country music is fine, but I'm no banjo player.

"But, I put on a brave smile and tagged along. Good husbands are hard to find.

"I was in for quite a surprise. Nashville really is Music City. And not just country music. It's chamber music. Recitals. Symphonies. To say nothing of good rock and jazz.

"Things happened fast. I started teaching. Gave a few concerts. Got my Master's from George Peabody College. Joined the faculty at Peabody and at Blair Academy — a great pre-college music school. As you can see, I haven't been sitting still. That's me on the opposite page rehearsing for an appearance with the Nashville Symphony under Thor Johnson.

"We're doing what we want to do with our lives. And it's happening in Tennessee.

"Naturally, we're into a lot of other activities, too. Camping, for example. That's a switch for a couple of city kids. Did you know that the Tennessee countryside has been likened to the green, hilly countryside

of England? And by English travellers, yet.

"That's my story. Dick's is just as good. He's now Chairman of the Psychology Department at Vanderbilt. And he's into everything he loves to do. Writing. Research. Consulting for the National Institute of Mental Health. I'm getting prouder of him every day.

"Best of all, we're enjoying our life — Tennessee Style."

Thank you, Enid. We're proud of both of you. You're absolutely right about Tennessee's cultural environment. Nashville has 14 colleges and the State has 54. Maybe that's the reason for our growing art colony. Painters and sculptors and crafts people from all over the country are settling here. Not having a State Property Tax or Personal Income Tax doesn't hurt either, does it?

You folks thinking about plant relocation or industrial expansion owe it to yourselves to come down and look us over. Or write to me, Dr. Pat Choate, Commissioner of Economic and Community Development, Andrew Jackson Building, Nashville, Tennessee 37219. As Enid so beautifully points out, we've got a lot more going than our waterways, TVA power, coal and natural gas. You'll like doing business Tennessee style.



**We like doing business
TENNESSEE STYLE**

Ping-Pong Balls Score in the Energy Crunch

Necessity, in the form of the exigencies of the energy crisis, is mothering all sorts of invention these days.

Take ping-pong balls. The Dow Chemical Co. plant at Freeport, Texas, has found a nonrecreational use for them that reduces heat loss and saves energy. Hundreds of the plastic balls are allowed to float on the surface of previously uncovered collection tanks, where they insulate liquids from the atmosphere. Dow officials calculate that loss by evaporation is reduced 89 per cent and that ping-pong ball coverage will save as much as 1.4 million BTUs of energy per hour.

Then there's the Bell System and the farmer. Plowing takes a powerful tractor, which in turn consumes

hefty amounts of fuel. But a plow designed by Bell Telephone Laboratories could be revolutionary. Bell engineers have a vibrating plow—it moves in a circle—that reduces from 10 to 20 times the force normally required to dig a trench three feet deep, and operates at speeds as high as 75 feet per minute.

This means, say Lab officials, that the plow could be drawn by rubber-tired vehicles one fifth the size of the large metal-tracked vehicles required to pull conventional plows. Bell's "superplow" can also be extended from either side of the vehicle pulling it and still be effective.

Of course, the solution to an energy-saving problem often requires more than a single step, whether that step be using a new device or

following such a simple dictum as: "Switch off that light."

The engineering firm of Syska & Hennessy, Inc., New York City, is cautioning clients that turning off lights may well cause them to use more energy rather than less. It all depends on the heating and cooling system in your building.

In one building, the firm says, half of the lighting fixtures were disconnected, but there was no appreciable saving in electricity consumption—the air-conditioning system had electric reheat coils that were automatically switched on by the room thermostat when the lighting fixtures were disconnected.

In another case, energy consumption increased when thermostats were reduced from 75 to 68 degrees. Some zones in this particular building tended to have high heat levels anyway, and this plus solar warmth led to the air-conditioning turning on to lower the temperature to 68.

A third case is cited where a refrigeration unit, operating at 15 per cent load, was switched off, but the resultant saving in energy was exceeded by the amount of energy needed to produce extra steam consumed for heating and humidifying.

"Simple explanations and immediate responses may be adequate for simple situations," says Syska & Hennessy, but complex systems require an engineering approach. The firm says 20 to 30 per cent savings in energy can be achieved, but turning off the lights isn't necessarily the way to do it. •


How to Get Hot on the Golf Course

Contending that a little heat will squeeze extra yardage from a golf shot, Prenant & Associates, of Burbank, Calif., is marketing a container that it claims will keep three of your golf balls nice and toasty during a round on the links.

The triangular container, called

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48 MONTHS	\$ 5,000.00 \$10,000.00	\$146.87 \$293.74	\$2,049.76 \$4,099.52	\$ 7,049.76 \$14,099.52
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THE PENNSYLVANIA WOODS. THEY'RE FULL OF GIANTS.



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Crawford Furniture.
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they came to Pennsylvania.**

The hardwood resources of Pennsylvania's vast forests have already helped many companies grow into giants. And, with Pennsylvania's unrivalled history of scientific timber management—a record that stretches back to the days of the pioneer conservationist Gifford Pinchot—there will always be plenty of hardwood available for your company to grow into a Pennsylvania giant, too.

Take Masonite. Ten years ago they built a hardboard plant in Towanda, Pennsylvania. Now it's the world's second largest.

Samuel Greeley, President of Masonite, told us a few of the reasons: "Our Pennsylvania location is superb. We're less than 200 miles from two major markets in Philadelphia and New York City. And our experience with Pennsylvania workers has been terrific. The living is so good around Towanda that even the veterans of our payroll who came from another state love it here. The support we've gotten from state programs for financing growth and expansion has been vital, too. And with Pennsylvania's professional forest resources management, we feel that hardwood supplies will be plentiful."

The Crawford Furniture Manufacturing Company has grown into a good-sized giant in the Pennsylvania woods, too. Their president, Stuart Crawford, says: "The spirit and thinking of Pennsylvania's citizens and development officials were a fertile atmosphere for our company's progress. And Pennsylvania is also the center of our most needed raw materials: rock maple, wild cherry, oak, and other furniture grade hardwoods."

The Pennsylvania woods are vast. So there's still plenty of room for your company. Plenty of room and raw materials—plus an excellent work force, great transportation, and many state financial programs to help you get started. Once you're started, Pennsylvania will even help you expand!

Write today for a wood products Industry Opportunity Report. We'd love to have another giant in our woods. You.

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the world of industry *continued*

the "Fireball," contains an electric warming unit. When plugged into any standard electrical outlet, the container heats the balls to the core. It can slide into your golf bag, where it is guaranteed to keep them warm for hours.

On a chilly day, the firm says, a golfer should be able to increase the length of his drive by 20 per cent, thanks to the "Fireball." •

Breezing Down the Bike Path

Some of the throngs of Americans who are taking to bicycles for health and as a way to ease the energy crunch may soon be sailing along literally.

With a favorable 15-mile-an-hour-breeze and a Viking Bicycle Sail, cyclists can coast at speeds up to 22 miles an hour, claims Stenan's Leisure Products, of Seguin, Texas, which markets the product.

The 16-square-foot sail is made of 12-gauge clear vinyl and its mast, tiller and cross members attach easily to the handlebars of any bicycle. When not in use, the sail can be collapsed and stored on the bike's frame.

Other uses are to provide sail power for kayaks, canoes or rubber rafts. •

Cavitation May Foil the Filer

There's bad news for crooks who grind or file away serial numbers so stolen property can't be traced.

A phenomenon called "cavitation," long a problem for shipping, holds promise for criminologists.

Cavitation—when tiny partial vacuums are formed by uneven pressure gradients in a liquid—chews up the propeller blades on a ship.

Stanley G. Young, a National Aeronautics and Space Administration scientist at the Lewis Research Center in Cleveland, has developed a process that uses the phenomenon to clean out metal fragments smeared into the grooves of a serial number by a criminal.

He restores serial numbers by using an ultrasonic vibrator, which generates very high frequency vibra-

tions in water, to create millions of microscopic bubbles.

Aimed at a metal surface where a serial number has been defaced, these bubbles, with the force of thousands of pounds of pressure per square inch, dislodge the smeared metal.

Serial numbers have successfully been restored in tests on samples of copper, brass, steel and aluminum. It takes about 20 minutes on copper and 220 minutes on steel.

Presently, serial numbers are restored by chemical or mechanical treatments, but sometimes this obliterates remaining traces of numbers, says Mr. Young. His process, he says, doesn't. NASA has applied for a patent. •

Yes, but Can He Fill Out an Insurance Form?

For those plant first-aid and life-saving classes, you can now buy a male dummy who is so lifelike he feels, weighs and even moves like a human.

He bleeds. He has eyelids and pupils that work. A pulse throbs in his throat. He has simulated lungs and heart, and he has a leg bone that can be broken.

The manikin, named Med-E-Train, is a product of Alderson Research Laboratories, Inc., Stamford, Conn. He sells for "under \$500," which includes work shirt, pants and white sneakers.

Med-E-Train is designed to meet growing demands by the federal government and business firms for more medical training equipment, says Allan H. Raphael, Alderson's president.

Alderson has been producing manikins and dummies for several decades, but Mr. Raphael says early products are crude in comparison with those being turned out today.

"Now, chemical and plastics technology has improved immeasurably," he says. "We can reproduce things so well that it is often almost impossible to tell the real from the replica."

Med-E-Train has a surface that feels like real skin. Foam-filled, he bends like an actual person.

For training in mouth-to-mouth resuscitation, he has an indicator light that flashes when the proper

continued on page 60B



"Our new copiers cut our costs by 33% a year. But we replaced them with SCM copiers."

Dan McNally, The Standard Oil Co. (Ohio)

The Standard Oil Company of Ohio is ranked 95th in size among the Fortune 500. It's the original Standard Oil Company founded by John D. Rockefeller in 1870.

"We go way back with copiers, too," explains Sohio's Manager of Graphic Services, Dan McNally. "By the early sixties we had a hundred bond paper copiers all over the country. Then our auditors came in with the first set of copy-cost figures and we didn't wait for a second set. Some of those copiers were running us 37¢ each."

—What did you do about it?

"We got into electrostatic copiers, fast."

—With SCM?

"No, with another company. And their machines cut our copy costs by one-third."

—You must have been delighted.

"With the savings, sure. With the quality of the copies, yes. With the service, no. Sohio has offices in places like Midland, Texas; Lafayette, Louisiana; and Pauls Valley, Oklahoma. Unfortunately, getting to a problem in those areas was too much of a problem for the copier

people. We began looking at other equipment."

—That's when you decided to give SCM a try?

"A trial is more like it. We started with thirteen SCM copiers and put them in the thirteen areas that were giving us the most problems."

—How did they work out?

"Well, today Sohio has fifty-eight SCM's. I guess that answers your question. The machines are dependable and there are 250 offices across the country to provide service when we need it."

—How about the quality of the copies?

"We have high standards for quality around here, and SCM certainly meets those standards."

—Are you saving as much money as you were before?

"The final figures aren't in yet. But from what I've seen, I'd say SCM is still cutting our costs by one-third."

—Can I quote you, Dan?

"That's what you're here for."

SCM COPIER PRODUCTS
SCM CORPORATION

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MISCONCEPTION:

Even though coal is plentiful, we shouldn't depend on it as a long-range source of energy because it has too many environmental drawbacks.



FACT: Much of the coal in our country's vast reserves has a high sulfur content, which may present environmental problems. To deal with these difficulties, The Southern Company system, along with other members of America's electric power industry, is researching ways to develop "clean coal." Through a process called solvent refining, pollutants can be removed from coal before it is used as a fuel. To prove the economic feasibility of such a process, our companies have taken a leadership role with construction of a pilot plant in Alabama. The studies there should show that coal can play an expanding role in electric generation, with adequate protection of the environment, for years to come. In the meantime, the system is also studying promising methods of cleaning up stack gases which result from the combustion of coal. Until such processes are proven, we plan to utilize high-quality, low-sulfur coal, as available, wherever its use is necessary to meet environmental standards. The best answers for coal are complex and elusive. But we're determined to help pin them down.

Since coal is the nation's most abundant energy resource, much effort is being directed toward minimizing its environmental impact.

The Southern Company system: working toward tomorrow, today.

Alabama Power Company Georgia Power Company Gulf Power Company Mississippi Power Company Southern Services, Inc. Southern Electric Generating Co.

sound off to the editor

Should Motorists Be Forced to Use Safety Belts?

It is estimated that half of the 40,000 Americans who died in motor vehicles last year would be alive today if they had been wearing safety belts.

The problem, of course, is that only about 30 per cent of U.S. motorists have been bothering to buckle up. But a concerted campaign is under way to force safety belt use.

Actually, we are approaching this in new cars. Beginning with '74 models, a car must have a system under which it won't start unless front-seat lap and shoulder belts are in use (the owner can bypass such a system, but only with difficulty). And beginning with '76 models, new cars are to have air cushions or other safety devices not requiring action by drivers or passengers.

Nevertheless, an estimated 100 million pre-'74 vehicles will be around for a varying number of years. So the

issue of compelling use of safety belts—which have been required in autos on an optional-use basis since the early '60s—will be around, too.

Many of those favoring compulsion cite Australia as a classic example of how it pays off. After a law decreeing \$20 fines for unbuckled motorists was passed Down Under, belt use jumped from 25 to 85 per cent and deaths and injuries dropped as much as 30 per cent.

Now, Puerto Rico has similar legislation. In 1972, the U.S. Department of Transportation proposed revised uniform safety standards for the states, including mandatory use of both lap and shoulder belts.

Up to 30 state legislatures are expected to consider safety belt legislation this year. Bills passed in the New York and Maryland Senates and the New Jersey House last year, but none cleared the full legislature.

Opponents claim mandatory-use laws would be unconstitutional infringements on rights, and too expensive to enforce. Why, some ask, shouldn't the government police the dinner table, since more Americans die from heart attacks than from auto accidents? As one writer puts it: "If it is proper for the government to coerce people into safety belts, it also is proper to coerce people away from the table and into sweat suits. So how about fines for excessive calories? How about mandatory volleyball?"

However, proponents point to laws requiring motorcyclists to wear helmets and barring swimming in shark-infested waters. In other words, they say, an individual's liberty does not include the liberty to take unreasonable risks with his own life.

What do you think? Should Americans be forced to wear safety belts?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should motorists be forced to use safety belts?

☐ Yes ☐ No

Comments:.....
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The Brush-Off for Aid to Artists and Athletes

Should the federal government subsidize the arts and amateur athletics?

That question, posed in the January "Sound Off to the Editor" feature, draws an emphatic No from some *Nation's Business* readers, a resolute Yes from others and a variety of an-

"Just one plank from the bridge that separates us from total socialism."

swers in between, with Nos ahead by a large majority.

"If they cannot make it on their own merit, let them dig wells, mine coal, etc.," writes Lewis M. McCoy, sales manager for B-Carter, Inc., Newcastle, Wyo.

"Emphatically Yes," writes E.W. Cleary, vice president and treasurer, Boise Cascade Corp., Boise, Idaho. "As the father of an aspiring Olympic-class skier, I am well-acquainted with the inadequacy of funding for the ski racing program in the United States. Compare our program with the Austrian program and it is easy to see why the Austrians consistently take gold and silver medals in Olympic competition."

Curtis C. Patrick, vice president and cashier, The State Bank of Oskaloosa, Oskaloosa, Kans., says he wants to see more money available for both the arts and athletics, but "I fear the regulation that would follow."

In addition to reluctant nay-sayers like Mr. Patrick, a number of readers vote against subsidies for either the arts or sports, but not both.

Two thirds of the replies are in the negative, with the reason most frequently cited being the amount of taxation already thrust upon the average citizen. Other points include contentions that such subsidies would involve favoritism and red tape, and that they would imperil the free enterprise system.

"Just one plank from the bridge that separates us from total socialism," writes R.C. Pierce, division manager for the Mississippi Power Co., Meridian, Miss.

Of those who vote Yes, the majority argue that the arts and athletics are important to American morale and cultural well-being. Some readers answer affirmatively out of first-hand experience.

Wini Jones, head designer and advertising manager of Roffe-Rene, Inc., in Seattle, Wash., reports that the company has supplied clothing for the U.S. ski team in the Olympics, and "close contact with the athletes made us realize how poorly financed they are individually. Because training and education conflict, education is forgotten. And off-season support frequently becomes parental."

"I know several young, extremely talented artists who paint full time and receive from \$100 to \$800 for their paintings," writes J.D. Sturtevant, controller for the Exxon Pipeline Co., Houston, Texas. "However, although they are considered successful artists, their annual income is about \$3,000. If you divide their income by hours spent working, they do not make the minimum wage of \$1.60 an hour."

But many readers believe that if an artist cannot make it on his own, he should find another field.

"You may call it by any name you want, but it is freeloading to ask someone else to pay for your special interest," says Douglas C. Borg, owner of Western Fashions, Yuma, Ariz.

"Excellence cannot be purchased, but usually finds its own reward," writes T.L. Reece, president of Dover Corp.'s Ronningen-Petter division, Portage, Mich.

"I want some federal subsidy for my golf swing. It needs something!" says W.M. Stephens Jr., consulting mechanical engineer for Ebasco Services, Inc., in Atlanta, Ga.

Boise Cascade's Vice President Cleary is not the only reader who

cites a family member in giving his answer. Edward J. Perry, manager of Cape Auto Parts, E. Falmouth, Mass., has a son who is an artist. He writes: "There are so many young people going off the deep end today that we should do everything we can to help direct them properly."

Some readers draw upon history: "During the '30s, the WPA helped many artists who have become the great contributors of this century. When is this country really going to do something about its weaknesses?" asks Peggy H. Morez of the Santa Barbara Research Center, Goleta, Calif. She is the wife of a working artist and has been supporting her family for three years, she says.

"We subsidized artists during WPA, and did it increase our 'cultural awareness' one cubit?" asks George E. Rodgerson, president of Rodgerson & Co., Inc., Dallas, Texas. "That

"When is this country really going to do something about its weaknesses?"

we are a culturally barren nation is pure nonsense."

Two readers go further back in time to support their opinions:

"Rembrandt needed no subsidy to turn out some of the greatest art in history. No artist worth his salt needs government subsidy," writes Tom Coane, editor of the North Haven, Conn., *Illustrated Current News*.

But J.E. Hallman, general manager of the Schroeder Sign Co., Elgin, Ill., sees things with a different perspective: "History shows us that true giants of art flourished during the Renaissance, a period when the church was the power-wielding and financially capable organization of society. Now, the government surely fits the mold of strength, and it would do well to subsidize the perpetration of moral and esthetic enrichment."

MONEY...How to Save it and Raise it

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by Ted Nicholas



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Where the money is and how to get it

by Ted Nicholas

First Printing, September 1973

In order to succeed in business you will need to raise capital.

If you are seeking capital for your business (or business idea), scholarship funds or a research grant, this book is a must. It is a comprehensive manual of capital sources and how to go about successfully raising money.

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ABOUT THE AUTHOR

Mr. Nicholas has been to the White House to personally meet with the President of the United States after being selected as one of the outstanding businessmen in the Nation.

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by James J. Kilpatrick

The Waiting Time

At my home in the Blue Ridge Mountains, and over a good part of the rest of the country as well, this is the waiting time. We wait upon spring.

In one way or another, doubtless everyone "waits upon spring." Down in sunnier latitudes where the seasons are not so nicely distinguished, the coming of spring still makes a difference. In our great cities, apartment dwellers yearn for the first morning they can fling open their sooty windows and find softness in the air. But winter has a special and particular meaning for those who live in the country, and we wait upon spring in a different way. And out of the waiting, out of the darkness and the silence, there emerges a hint of an understanding.

I am not certain that "understanding" is the right word. Understandings generally involve a clarity of perception, and the perceptions of a countryman are not that sharp and clear. I walk across a frozen field, or take note of an animal's burrow, or cut up a dead limb for firewood, and I cannot shake off the feeling that somewhere in this waiting time is a truth I ought to discover; but the truth is as insubstantial as smoke from a cottage chimney. It can be sensed but not really touched, and it blows away with the wind.

Perhaps this is the fugitive truth: Life goes on. If so, it is no simple truth; it is complex, mysterious and wonderful. Everything that is, was; and everything that is, will be. On that inchoate premise, I suppose (for I am not a religious man), whole the-

ologies have been founded. The metaphysics are beyond me.

In one of the mild spells a few weeks ago, I was pulling up briars and honeysuckle roots, and dug with my hands through dry leaves, wet leaves, rotted leaves and crumbling, moldy bark. And behold: At the bottom of this dead, decaying mass a wild bulb was raising a green, impertinent shaft toward the unseen sun. I am not saying I found Divine Revelation. What I found was, I think, a wild iris.

The iris was not merely passively waiting; it was doing something more than surviving. It was growing, responding to rhythms and forces that were old before man was young. And it was drawing its own life from the dead leaves of long gone winters, from millennial maples and primeval oaks. I cover this unquenchable rhizome and tell it to be patient: March will come.

That is a part of the mystery, a part of the complexity and the glory: March will come. This is the certainty that sustains, a certainty kept alive in the waiting time not only by the experience of ages but by some humbler harbingers also. Mr. Burke, our rural mail carrier, stops at the box and stuffs it with glad tidings from David, Joseph, Henry and George. They are among the apostles of spring: David Burpee, Joseph Harris, Henry Field and George Park. To say that these merchants sell seeds is to put the matter crassly. They sell hope and dreams and the promise of summer, and their catalogs defy the freezing winter rains.

It is a familiar theme of the off-season, I know, for country folk to rhapsodize about the seed catalogs. It often seems to be one of those ritual things, like Southerners writing sonnets to chitterlings and singing hymns to grits. Yet the missionary role of these apostolic fathers is so important to the housebound housewife in the hills that I willingly risk a charge of banality. Pray, Father Burpee, how did the pioneers make it without you?

We sit in the kitchen, after the dishes are done, with pencils and memo pads and last year's garden register, and we pore over this year's catalogs in a happy agony of indecision. The register reminds us that the cauliflower of 1973 was a failure. The plants would not head up, and when a couple of them did head up, they had to be wrapped in bandanas, like aching jaws, to ward off the sun. The collie puppy, Katie, needing something to play with, kept swiping the bandanas. The register tells us: Heads of cauliflower, none. But, ah! The Apostle Joseph, which is to say, Mr. Harris of Rochester, this year is offering a new, self-blanching variety, No. 343: "When grown in cool weather, the wrapper leaves curl over the heads, protecting them from sunlight. Finest quality and type, deep, smooth and pure white." Once more tempted, we write this cauliflower down: Pkt., 45 cents.

Burpee's vegetable catalog begins with beans, bush and pole, and rolls on through endless delights of lettuce, melons, peppers and squash, to a hybrid zucchini that has served us

The Waiting Time *continued*

well before: "Flavor is excellent and texture most tender." Pkt., 50 cents. Let the wind howl! We look beyond the kitchen fire to the golden orange of cantaloupes and the cherry red of Park's mouth-watering giant red tomato, the one and only, new this year, Beefmaster! Yields unbelievable quantities. For just 55 cents, little more than half a dollar, 30 seeds can be yours! Or would you rather have the Spring Giant instead?

This is decision-making on a high order, especially if one envisions a modest kitchen garden instead of a truck farm. This year more American families than ever before will be making such decisions. Thanks to the high prices of food and to the restrictions upon shopping by reason of the gasoline shortage, several million husbands and wives will be taking to backyard plots for the first time this spring. Anticipating the demand, growers last year increased vegetable seed production from 123,000 acres to 166,000 acres; the 1974 harvest will be even larger. The venerable American Seed Trade Association, one of the nation's oldest trade groups, reports boom times for its 470 members. They are hard put to meet the surging demand.

Yet I wonder if the explanation lies altogether in food prices and gas shortages. I have a notion that a deeper, less demonstrable motivation may exist. The typical city dweller lives most of his life at the mercy of other men, and in bondage to faceless machines—bus drivers, repairmen, government inspectors; lathes, computers, typewriters, drill presses, bulldozers. The same impetus that has created a new market for women's needlework may be at work in the seed business: We want to create something of our own, fashioned with our own bare hands. The backyard gardener who successfully produces a row of Henry Field's buttercrunch Bibb lettuce (crisp leaves, thick and juicy) may have saved a couple of dollars off his food bill, but that is the least of his achievements. This is *his* lettuce, his very own small miracle, watered and nursed and tended, and

finally brought to harvest. The Midwestern professional farmer, gazing with satisfaction upon a thousand acres of wheat, is not more proud.

Some of these subconscious stirrings may account for the recently reported shift in population trends. The tidal movement of our people from farm to city apparently has ebbed. A perceptible trickle can now be seen from big cities back to small towns. Families are returning along some curious umbilical cord that ties them to the land, and to a sense of place. I am wary of pat explanations and glib essays on "our changing life-styles," and I doubt that the trend should be read as any very significant rejection of material comforts, but something is going on. It may be a matter of scale and relationship, a turning away from the large and the impersonal to the small and the intimate. If so, the prophets of doom are wrong: We are not moving toward an Orwellian 1984, but toward the spreading chestnut tree instead.

Once the seed catalogs have been exhausted, and the order blanks filled in and mailed, there is not much to do in the waiting time. There are fires to tend and logs to split, and animals that have to be looked after. There is always a machine to be repaired or a fence to be mended, something that needs painting. But when snow falls, time stands still; the world dwindles down to house and barn and feedlot, to make-work chores, to the silence of a sleeping land.

This is no bad thing. Carlyle, I believe, is authority for the proposition that the happiest hours of mankind are inscribed on the blank pages of history. Nations and businesses, no less than countrymen, need an occasional period of rest and recoupment, a time when nothing much happens. Without this ebb and flow, this pause and acceleration, we would find ourselves spinning in perpetual motion, forever rushing, constantly producing, always catching a plane to Somewhere. I know; I have often flown to Somewhere, and have waked in strange motels asking of the mute

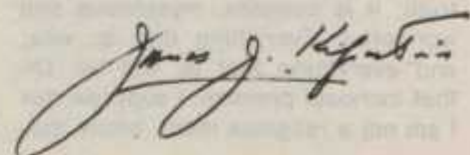
walls and alien chairs: Where am I? And why?

I don't know that one finds answers—final answers—in the waiting time. That is why I suggested at the outset that no more than a hint of understanding emerges from the slumbrous land. To comprehend that life goes on is to comprehend, however clumsily, that what men call death is not death, but transformation. The apple log now burning on the hearth was once a seed, then a sapling, then a flowering tree, the bearer of ripe fruit; then it died, as we say, and now the tree burns to gray ashes. But the ashes will go on the garden, mixed with ground leaves and the residue of growing things, and next summer the apple tree will grow green again as an ingredient of David Burpee's cabbage leaf.

The copywriters who worked up the seed catalogs probably never had it in mind that they would provoke such solemn reflections. They were out to sell salsify, not sermons. But I get up from the kitchen table, and stretch, and look at the frozen garden plot mulched down for winter, and see the bounty of summer. This harvest will be my wife's doing, and mine, and the seed merchant's also, but the dream of August can be seen only through a haze of mystery and awe.

Any gardener, on inquiry, can tell you where his seeds came from: They came from Philadelphia or Rochester or Shenandoah, Iowa, or Greenwood, S.C., or wherever he sent his check. But if you want to know where the seeds truly came from, and how, and when, and why, you will find no abiding answers in the Instructions for Ordering.

You may find a hint of an answer deep in the forest floor, down in the dark and pregnant earth where a stubborn iris speaks of what was, and is, and will be.





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Nation's Business

March 1974

Simon Says: "We Intend to Be Fair"

The energy boss has some encouraging words for businessmen, and outlines how they can get help from his agency

The man who's sitting in Washington's newest hot seat, energy boss William E. Simon, thinks he'd meet the same reaction if he dropped in on the chairman of a multibillion-dollar corporation or the manager of a one-bay service station:

"I'd be as welcome as a termite," he ruefully admits.

But Mr. Simon says he'd like to get one basic point across to businessmen as he, and they, try to cope with the energy crisis:

"The Federal Energy Office is vitally concerned with the energy problems of business.

"We must allocate fuels in such a way that businesses can continue to keep people employed and offer their goods and services to their customers in the United States and abroad. To keep Americans working is our number one objective."

In a special statement to NATION'S BUSINESS readers, the Federal Energy Office's administrator continues:

"We've made tough decisions and we'll make more of them. Some of these decisions may cause problems to businessmen. Our job is to see that these burdens are kept to a minimum and resolved as quickly as possible.



Everybody wants to talk about the energy crisis and Bill Simon is quite willing to do so, even in the hall outside his Treasury Department office, where he's frequently stopped. Besides heading up the Federal Energy Office, he is deputy secretary of the Treasury.

"We are trying to keep the machinery to solve these problems simple, so that you won't need a battery of lawyers just to tell you what they mean."

The overriding question for the businessman, Mr. Simon says, is: "What can he do, where can he turn if he's not getting enough fuel to heat his plant, run his trucks or keep his equipment operating?"

What you can do

While many businessmen have already found out how FEO procedures work, those who have not as yet had to run the course should know this sequence, Mr. Simon says.

- Allocation of fuel to most businesses, large and small, is based on a company's consumption during a corresponding month of 1972. (A new business must apply to FEO for an allocation). According to the type of business he's in, the businessman will receive a major percentage of his current requirements. The more essential his product or service is considered to the nation's well-being, the higher his allocation will be.

- The businessman notifies his supplier of his fuel needs, up to the full amount he is entitled to receive under published regulations. The supplier totals up all of his customers' allocated requirements. If the supplier can't furnish all customers with the full amounts of fuel they are entitled to under the regulations, he must distribute it to them on a pro rata basis.

- If you, the businessman, find yourself in a hardship situation, you have two courses of action: the state route or the federal route. In an emergency situation, you can turn to your state government's energy office. Each state has been given a supply of various fuels to set aside for contingencies. State officials determine the validity of the emergency. [The Governor's office of each state should be able to supply the addresses and latest phone number for the state's energy office.]

- If your problem is not an emergency—or doesn't receive an emer-

gency classification—you can go the federal route, contacting an FEO regional office (see box). You can ask for an adjustment, using one of the special forms available for this. Regional directors make decisions on the merits of the case and according to a list of priorities established by FEO.

- You can appeal the regional director's decision, if you feel it is unfair. A separate appeals branch at each regional office handles these cases, but you can also appeal any regional rulings directly to the FEO office in Washington.

Quite a pay cut

Bill Simon, 46, has headed the Federal Energy Office since President Nixon established it last December. (The President has asked that FEO be replaced by an independent Federal Energy Administration, but Congress had not cleared the required legislation as this edition of NATION'S BUSINESS went to press.) Mr. Simon was deputy secretary of the Treasury at the time, and that's a title he still holds, but he doesn't have time for ordinary Treasury Department work anymore.

Until he joined Treasury in January, 1973, he had been a senior partner, specializing in government bonds, in the investment firm of Salomon Brothers. (His annual salary and profit sharing reportedly ran between \$2 million and \$3 million a year compared to his pay now of \$42,500).

At Treasury, instead of high finance and tax policy, he soon found himself involved primarily in the mushrooming oil crisis as chairman of the Administration's Interagency Oil Policy Committee.

The President gave Mr. Simon pretty much of a free hand in setting up FEO and he's been operating it just that way. A good many government agencies have grumbled about the way he's stepped on their toes. One grumbler: The Defense Department which engaged in a widely publicized squabble with him over how much of the military's supply of jet



John C. Sawhill, No. 2 man in the Federal Energy Office, handles much of the operational detail.

fuel would have to be made available to U.S. commercial aviation.

Mr. Simon likes to settle such squabbles in the same no-nonsense manner in which he once dealt with an assistant who complained he didn't know how to clear an awesomely cluttered desk.

"You do it this way," Mr. Simon said, sweeping an arm over the desk and leaving it bare.

In setting up the nation's first peacetime experiment in central economic planning for an individual commodity—oil—Bill Simon has become perhaps the Administration's single most visible official. It seems as if hardly a day passes that he isn't on some national television show, and he's easily Washington's most available top official for interviews.

Along the way, he's not only come in for some bitter complaints but has also won high praise for the job he's doing. So much so that he's been

Simon Says: "We Intend to Be Fair" *continued*

talked of as the top choice to succeed Treasury Secretary George Shultz when the President's top economic adviser leaves office, as he's expected to do in the near future.

To help run the Federal Energy Office, Mr. Simon has put together a bright, youngish team.

No. 2 man is John C. Sawhill, 37, who was a senior vice president for the Business Services Group of Commercial Credit Co., a diversified financial and leasing firm, before joining the White House's Office of Management and Budget as associate director for natural resources, energy and science.

Another important aide to Mr. Simon is William A. Johnson, 37, director of policy analysis.

Mr. Johnson, who holds a doctorate in economics from Harvard, has the assignment of keeping FEO policies "effective and efficient and in harmony with national energy objectives."

He previously was Mr. Simon's

adviser on energy at the Treasury Department and before that was a senior economist on the staff of President Nixon's Council of Economic Advisers.

John W. Weber, 42, is assistant administrator for operations and compliance. He runs the fuel allocation programs, and oversees field operations, relations with state and local government and help for industry and the public. Formerly, he was president of Chayes Virginia, Inc., a Connecticut-based dental equipment manufacturer, and before that he worked with the management consulting firm of McKinsey & Co.

Duke R. Ligon, 32, as assistant administrator for policy, planning and regulation, develops and establishes regulations which Mr. Weber administers. Mr. Ligon also oversees policy as it relates to energy prices, and he is in direct charge of the contingency gasoline rationing plan Mr. Simon announced in late December. Mr. Ligon last served as di-



Around FEO, they want to make sure you're thinking conservation.

rector of the Interior Department's Oil and Gas Office. In that post, he directed development of basic data and analysis used by the White House and the Oil Policy Committee in making national energy decisions.

Eric R. Zausner, 29, is acting assistant administrator for energy conservation and environment, and assistant administrator for analysis and strategic planning. He directs policy on transportation, residential, commercial and industrial energy; coordinates federal, state and local conservation programs; and assesses environmental impact of energy programs. He was previously deputy assistant secretary for energy at the Interior Department.

Robert Shatz, 56, is acting assistant administrator for energy resource development, working on long-range projects. He formerly was with the Hudson Institute, where his specialties included energy.

Stephen A. Wakefield, 33, assistant administrator for international policy and programs, worked previously on energy matters at the Interior Department and at the Federal Power Commission.

Mr. Simon concedes that many businessmen feel the federal bureaucracy is only compounding the energy shortage and that some people believe it is contrived. Answering this criticism in his NATION's BUSINESS statement, he says: "We intend to be fair. But there just isn't enough fuel to satisfy the enormous demand. The shortage is real." **END**

WHERE YOU CAN TURN

The Federal Energy Office has set up 10 regional offices to assist businessmen and others. The offices, and the areas they cover:

Region I—150 Causeway St., Boston, Mass. 02114; telephone (617) 223-5195. *Maine, New Hampshire, Vermont, Rhode Island, Massachusetts, Connecticut.*

Region II—26 Federal Plaza, New York, N.Y. 10013; telephone (212) 264-1021. *New York, New Jersey, Virgin Islands, Puerto Rico.*

Region III—600 Arch St., Philadelphia, Pa. 19106; telephone (215) 597-3890. *Pennsylvania, Delaware, Virginia, West Virginia, Maryland, District of Columbia.*

Region IV—1718 Peachtree St. N.E., Atlanta, Ga. 30309; telephone (404) 526-4885. *North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, Canal Zone.*

Region V—536 S. Clark St., Chicago, Ill. 60605; telephone (312) 358-

8421. *Michigan, Illinois, Wisconsin, Minnesota, Indiana, Ohio.*

Region VI—212 N. Saint Paul St., Dallas, Texas 75201; telephone (214) 749-7345. *Texas, Louisiana, Arkansas, Oklahoma, New Mexico.*

Region VII—817 Grand St., Kansas City, Mo. 64106; telephone (816) 374-2011. *Iowa, Nebraska, Missouri, Kansas.*

Region VIII—Denver Federal Center, Denver, Colo. 80225; telephone (303) 254-2420. *Montana, Wyoming, North Dakota, South Dakota, Colorado, Utah.*

Region IX—Fox Plaza Bldg., 1390 Market St., San Francisco, Calif. 94102; telephone (415) 556-7206. *California, Nevada, Arizona, Hawaii, American Samoa, Guam, Trust Territory of the Pacific Islands.*

Region X—Room 3098, 909 First Ave., Seattle, Wash. 98104; telephone (206) 442-7280. *Washington, Alaska, Oregon, Idaho.*

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South Viet Nam: Land of High-Risk Opportunity

Many U.S. firms are leery of investing in a war-wracked country unless Congress takes a step that could reduce Saigon's dependence on our government's aid



Chase Manhattan's neat little branch on a sunny Saigon street is one of only a handful of U.S. businesses operating in South Viet Nam today.

Does the economy of South Viet Nam hold out investment promise to American businessmen? Points can be made for two answers—Yes and No.

Each answer involves considerable U.S. political as well as economic interest—an interest born of a U.S. "investment" of 46,000 combat dead, 300,000 combat wounded and \$135

DR. WILLIAM H. PETERSON, author of this article, made a firsthand economic survey of South Viet Nam in its preparation. A professor of American business at the American Graduate School of International Management in Glendale, Ariz., he was until recently a senior economic adviser in the U.S. Department of Commerce.

He is a former chief economist for U.S. Steel Corp. and has served as a consulting economist for other major corporations.

billion, and of turmoil at home that rocked two Presidencies.

And each answer focuses in part on the role in revitalizing the South Vietnamese economy that could be played by the Overseas Private Investment Corp., a U.S. government agency designed to promote American enterprise in friendly developing countries.

OPIC guarantees investors against expropriation, currency inconvertibility and war damage. Right now, though, its role in South Viet Nam is virtually zero; it is complying with the wishes of the House Foreign Affairs Committee, which two years ago said the agency should not extend coverage to that part of the world pending a full study.

However, the U.S. government's presence in South Viet Nam is still felt, even if not so visibly as in the past. Where once there were almost 600,000 Americans, including 550,000

troops, at peak U.S. strength in that war-wracked country, there now are about 6,000 official and semi-official Americans. They help administer an estimated \$1.3 billion a year in U.S. military and economic aid.

The American business presence is more visible than felt.

A Coca-Cola licensee dispenses "the pause that refreshes" the country over. A Bekins licensee provides moving and storage service. Pan Am, TWA and Northwest Orient maintain sales offices, and Citibank, Chase Manhattan and Bank of America have branches, in Saigon while Hilton and Hyatt House have plans for luxury hotels there. Singer has contracted out a small assembly operation. Foremost Dairies has an evaporated milk and ice cream operation. Exxon, Mobil and Shell, along with Canadian-owned Sunningdale, successful bidders for drilling rights last summer, may start drilling for

oil later this year in the waters off the Mekong Delta.

But for all this, and especially when compared to Japanese and French investments, which are also not what they could be, American private capital is conspicuous by its absence in South Viet Nam.

Reasons are hardly limited to that lack of OPIC guarantees. There are a number of other factors, led, of course, by the cease-fire that wasn't. These factors are not precise and fully predictable; they have to be carefully and continually evaluated.

Take the question of security. While business calmly goes on, South Viet Nam still has to be classified as a war zone, with President Nguyen Van Thieu maintaining a 1.1 million-man army and one of the world's largest air forces—in a country of 19 million. His armed forces have seen plenty of action since the January, 1973, cease-fire agreement, which was formally reaffirmed last June.

Some cease-fire. Since the first signing in Paris, admits Saigon, more than 13,000 of its own troops have been killed among 60,000 dead on both sides. Moreover, Saigon counts tens of thousands of truce violations by the enemy.

Yet despite all the bloodshed, many U.S. analysts believe Hanoi won't launch a major drive, such as the Tet offensive of 1968 and the Easter invasion of 1972, in the foreseeable future. Part of their reasoning swings on the new U.S. detente with the Soviet Union and the People's Republic of China, and the two communist giants' presumed drastic reduction of heavy war material shipments to North Viet Nam. An indication of these Sino-Soviet restrictions is seen in rising criticism of Red China and Russia in the North Vietnamese press.

Politics and prices

Investors also want to know about political stability. President Thieu's party seems to be strong. He enjoys the allegiance of his huge army and almost 300,000 government workers. He also dispenses patronage, from Cabinet posts to government contracts.

Apparently, President Thieu has won the respect of the South Viet-

namese people for keeping their country together in a long and most difficult war. Moreover, he has won the continuing support of the United States over the heads of some very powerful members of Congress.

In addition, businessmen considering investments in South Viet Nam have to know about economic conditions there. Inflation, for example. It's serious, with retail prices—up about 65 per cent last year—rising at an annual rate of around 50 per cent currently.

Much of the inflation has come from abroad. Import prices rose in the wake of the February, 1973, devaluation of South Viet Nam's piaster, which was tied to the 10 per cent devaluation of the dollar. Prices

surged again last spring and summer with inflation in the import-supplying countries, especially the United States. The Middle East crisis and oil cutbacks boosted petroleum product prices last fall and into 1974. Upshot: Oil, copper, rice, fertilizer and other major imports doubled or more in price in 1973.

One spin-off of inflation is the price of money. The prime rate is 23 per cent.

Stagflation—recession plus inflation—has slowed the export drive launched by the Thieu Administration as one step in reducing Saigon's wide payments deficit and its heavy dependence on American aid. Help also comes from other nations and international agencies, including Ger-

AN EXTRA RESOURCE

American businessmen who want to know more about potential investment and trade opportunities in South Viet Nam have a ready resource in the American Chamber of Commerce in Viet Nam, 203 Tu Do, Suite 26, Saigon (telephone: 92-104; or telex: 243).

Founded in November, 1966, by a small group of American businessmen based in Saigon, it is one of a network of "AmChams," all affiliated with the Chamber of Commerce of the United States, that actively foster U.S. economic interests in 34 countries.

AmCham Viet Nam has a membership of 125 U.S. firms and individuals doing business in South Viet Nam. An executive director—Leon C. a'Becket—plus a three-man staff conduct day-to-day operations and serve as a business information clearinghouse for American and Vietnamese firms interested in increasing economic ties between the two countries.

The Chamber publishes a bimonthly bulletin detailing business opportunities, and prepares special studies on various aspects of doing business in South Viet Nam.

Chamber officers and members enjoy close relations with Saigon government economic planners and administrators, and have been instrumental in encouraging these officials to facilitate business procedures for American firms.

Business confidence in the South Vietnamese economy recently received a boost when AmCham Viet Nam was chosen as host to the semi-annual meeting of American Chambers of Commerce in the Asian-Pacific region. American business delegates visiting from Pacific Basin countries, including the U.S., were impressed with South Viet Nam's potential.

South Viet Nam: Land of High-Risk Opportunity *continued*

many, France, Japan, Australia, the Philippines, Nationalist China, South Korea, the United Nations, the Asian Development Bank and the World Bank, but these loans and grants are relatively modest and mainly for purposes like school and sewage line construction.

Still, the export drive has scored some good gains from a war-depressed base. In 1971, exports came to \$12 million; in 1972, \$23 million; and last year, \$60 million. This year, if the recession doesn't deepen, they are expected to hit \$100 million.

But imports, even with belt-tightening measures, are well over the \$700 million level. As economist Charles Cooper of the National Security Council, formerly of the U.S. Embassy in Saigon, described the short-run dilemma last year:

"Unless it is possible to continue finding an import level on the order of \$700 million, it will be difficult, or impossible, simultaneously to stabilize the economy, care for the refugees, begin the process of reconstruction, and bring about any significant development investment."

What of corruption? It's there, all right.

A movie producer tells of his failure to get certain scenes in his production cleared by the censors. Soon afterward he saw a Hong Kong-made movie in which several explicit scenes had been left intact. Confused, he asked his lawyer to find out how come. The lawyer investigated and reported that the censors had been "taken care of," something the producer had overlooked. In the same vein, the Saigon press last year talked of local scandals under such headings as Bankgate, Taxgate, Laborgate and Sugargate.

Yet a little research indicates that corruption is a way of life in most of Asia, and that corruption in South Viet Nam is probably average or below average for that part of the world. Nor is it all-pervasive. Observes Carl W. Robinson, a Stamford, Conn., management consultant to the Industrial Development Bank in Saigon: "I've had dealings with Vietnamese officials and businessmen dating back to 1968 and never have I personally come across an instance of wrongdoing."

And what of South Viet Nam's infrastructure, or basic economy, as a vehicle for multinational corporation operations? It's a remarkable infrastructure.

Comments Patrick M. Boarman of Pepperdine University's Center for International Business, which sponsored a conference on South Viet Nam's economy in Honolulu last year:

"South Viet Nam is perhaps the only country in modern times that has simultaneously tried to establish a relatively democratic political system and to rebuild a viable economy in the midst of a bloody conflict that has lasted for decades. This effort has to a notable degree succeeded."

Dr. Boarman's conclusion seems reasonable. Last year saw little real peace, but the tempo of war decreased markedly and the private sector at least began to shift toward full peacetime operations, especially in agriculture.

Rich in resources

The vast Mekong River Delta region has fertility of wide renown. In the early '60s, it was the world's third largest rice exporter. Today, rice production is coming back—it was more than six million metric tons last year—though it still is not enough to preclude the need for rice imports. The outlook is also favorable for sugar, coffee, tea, peanuts, soybeans and bananas.

Forestry products hold promise for American and other investors. South Viet Nam has some 14 million acres of prime forest, which could feed potential exports of such items as plywood, paper and furniture. (Furniture is now exported, but only on a small handicraft scale.)

Last year, timber exports continued to expand—as did rubber exports.

Marine resource industries should also thrive. Frozen shrimp exports, for example, rose from \$700,000 in 1970 to \$8 million last year.

Mineral resources are of interest, too, to prospective investors. For example, rich deposits of very high quality silica sand for use in glass and ceramic manufacturing have been discovered, chiefly around Cam Ranh Bay. But the greatest commer-

cial possibility is oil, vast reserves of which are thought to extend under the great sedimentary basins around the Mekong Delta.

The industrial sector consists of some 3,000 companies with a total capital investment approaching the half-billion-dollar mark. One industrial park has been established at Bien Hoa in the Saigon area; it serves about 75 manufacturing firms and covers about 1,500 acres. Two more industrial parks are planned, one in the Delta at Can Tho and the other in the north at Da Nang, South Viet Nam's second largest city. A duty-free export zone is also in the works.

Transportation? Here South Viet Nam features a largely American-built network of 2,000 miles of good highways, 100 airfields and several large port facilities including practically new ones at Cam Ranh Bay.

Perhaps the outstanding feature of the South Vietnamese infrastructure is its labor force, many of whom speak English due to the long American presence. And thanks in part to U.S. military contractor training, the labor force includes tens of thousands of electricians, carpenters, machinists, mechanics, crane operators, white collar workers and the like. In addition, there are many professional managers and technicians.

Vietnamese labor costs are low—about one third those in Singapore, three fifths those in Malaysia, two thirds those in Hong Kong, four fifths those in South Korea. An unskilled worker, for example, gets about 90 cents a day.

One other note: South Viet Nam has a new investment law aimed at attracting foreign firms. They can repatriate all profits, are guaranteed against nationalization, are permitted 100 per cent ownership of enterprises, and are allowed an initial tax holiday of at least five years.

Will investment rise?

So, conscious of the security problem, and other liabilities, an independent analyst could say that South Viet Nam's profit potential certainly warrants investigation by multinational corporations and other investors.

For American investors this raises

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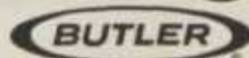


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South Viet Nam

continued

the question of OPIC. Guarantees it offers to U.S. businessmen are viewed as basic for what inevitably would be high-risk investments.

Kaiser Industries, for example, indicated an interest in participating in the state-owned Ha Tien Cement Co. But without OPIC insurance it is not disposed to go beyond a token stake in a planned \$30 million expansion of the cement mill.

Congress, in considering extension of OPIC coverage to South Viet Nam, may wish to ask: Is it wise to give some \$1.3 billion in military and economic aid a year while in effect denying the South Vietnamese adequate access to American business investments?

(A House Foreign Affairs subcommittee has recommended that OPIC be permitted to participate in "cautious" activity in that part of the world, keeping Congress fully informed. Congress this year is to act on legislation extending the life of OPIC as a whole beyond the scheduled expiration date of next Dec. 31. The future scope of the agency's activities in South Viet Nam could be resolved when this action is taken.)

OPIC coverage has not been denied Nationalist China and South Korea, both of which also have been in mortal danger from the communists and similarly have received American protection.

Both ultimately enjoyed substantial U.S. and other foreign private investment and their economic development was rapid.

They are no longer dependent on U.S. economic aid.

The denial of OPIC protection in South Viet Nam impedes economic development that could help Saigon close its big balance of payments deficit through numerous "import substitution" manufacturing or extraction projects, such as a fertilizer plant or oil works.

With OPIC coverage, American businessmen would be interested in such projects, and so might American importers who could use some of the output.

Of perhaps greater interest to the U.S. taxpayer: Impeding South Viet Nam's economic development lengthens its dependency on American support.

END

"The trouble with the future is that it usually arrives before we're ready,"

—Arnold H. Glasow

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**Pointers for Progress
Through Trade and Professional
Associations**



The Labor Climate: Stormy

*Return
to
Black Star*

Union leaders always want more, but this year they're particularly demanding

Secretary of Labor Peter J. Brennan was holding a press conference and reporters were trying to get his views on what the collective bargaining climate would be like this year.

After dancing around questions about whether unions would be seeking hefty pay hikes, the Secretary—himself a former union leader—said:

"I'm hoping there will not be strikes this year. It hurts workers. I believe free collective bargaining will work. But I believe working people are entitled to their share of the spoils. Workers will be looking for their pound of flesh, and I'm not saying they're wrong."

Bluntly, that sums up what the vast majority of government officials, businessmen and labor leaders think will be the tone of collective bargaining in 1974. Labor pacts will cost more. And the unions' road to higher pay—the AFL-CIO goal is 12 per cent for '74—may be paved with strikes.

With the inflation rate at the highest level since the end of World War II and the energy shortage threatening to throw thousands out of work, union officials say they are getting heat from the rank-and-file to be tough in this year's negotiations.

If there's recognition that businessmen, too, suffer from the inflation spiral and from the shortage of energy as well as of a spate of materials, the unionists don't like to talk about it.

Adding to the threat of labor militancy is a heavy bargaining schedule



—some 5.5 million workers are covered by contracts that expire this year or are scheduled for wage bargaining reopening (see box).

The opening shot in a more truculent labor campaign for '74 was fired by the International Brotherhood of Teamsters in December. The Teamsters said they planned to reopen their master freight contract with the nation's trucking industry "to protect and maintain the level of earnings" of their members.

Though the contract was negotiated as recently as mid-1973, Teamsters chief Frank E. Fitzsimmons points out that drivers are paid on the basis of miles they cover, and that lower speed limits and higher fuel costs could cut into paychecks substantially.

(Recently, Mr. Fitzsimmons said his union would be willing to drop the demand for a contract reopening if nighttime speed limits were increased on interstate highways.)

Labor observers fear the Teamsters' action could spur other unions to seek reopening of negotiations, using the cost of living and the fuel flap as reasons.

Ominous rumblings, for instance, have come from Arnold Miller, new



Business may find few bargains in the results of collective bargaining with: steelworkers, building trades workers, machinists, telephone company employees, miners, teamsters and longshoremen.



PHOTOS:
JOHN LAUNDIS,
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magazines sent to readers 3-4

Returned Charles Weiner

president of the United Mine Workers. The UMW convention in December devoted a lot of time to discussing how the union could exploit the energy shortage to seek bigger wages and benefits. A contract covering 80,000 miners runs out in November, and some observers say a nationwide coal strike is in the cards.

Mr. Miller, who won election to his post as a reformer of the corruption-ridden UMW, now needs a fat new contract to bolster his standing with the rank-and-file. On the impact of the energy problem he says: "I think it's pretty obvious it is going to strengthen us."

While the energy shortage is a complicating factor, the really big push for larger contract settlements comes from the galloping rate of inflation (8.8 per cent last year) that has reduced workers' real spendable income (weekly pay, adjusted for rising taxes and prices) which, at the end of 1973, was 3.3 per cent below 1972 levels. Economists are predicting more of the same virulent inflation this year, at least in the first half.

Union leaders, in fact, have expressed surprise that the rank-and-file remained as docile as they did

during 1973. It was a year in which strikes were fewer and wage settlements were smaller than in previous years, despite the high inflation, shortages and the energy situation.

Part of the reason for the wage moderation was the campaign to keep settlements near the government's economic stabilization program guideline of a 5.5 per cent maximum for raises.

By the middle of 1973, inflation—fueled by large hikes in food prices—was off and running again. Steep rises in gasoline and heating oil costs hit at year-end, heightening rank-and-file demands to make up for lost ground.

A major imponderable in how much larger contract settlements will be is the fate of the controls program and its wage guideline, authority for which expires April 30.

There is strong union and management feeling that controls should be allowed to die. And the Nixon Administration has told Congress that controls in every field but health care and petroleum products should be dropped at the end of next month.

Speculation is that an informal monitoring approach, to discourage outsized wage and price increases,

may replace the present controls system.

But given the unions' belief that controls have been rigged against them since they were introduced in August, 1971, and the new tough mood to push for pay hikes, it's by no means certain that organized labor will approve of a monitoring system.

Symptomatic of its feelings was a statement by Jerry Wurf, president of the 650,000-member American Federation of State, County and Municipal Employees (AFL-CIO). He announced AFSCME "will not be inhibited by fraudulent 'guidelines' or arbitrary standards" in negotiating for the government workers it represents. Such attitudes are widely held this year in unions.

So a year of heavy collective bargaining has gotten under way with organized labor in a "get-even" mood. At the same time, there is an unknown in addition to the future of wage controls: How severe economic dislocations due to the energy shortage will be.

If 1974 is a year of economic slowdown and rising unemployment, unionized workers customarily could be expected to be less likely to strike

WHO IS BARGAINING WHEN

Industry	Companies	Unions	Workers Covered	Contract Expiration
Telephone	Bell System, General Telephone, independent firms	Communications Workers, Electrical Workers (IBEW)	625,000	March-October
Glass container	Anchor Hocking, Glass Containers Corp., Owens-Illinois, others	Glass Bottle Blowers	39,300	March 31
Construction	Most employers	Building trades unions	2,000,000	April-October
Aerospace	Lockheed, Boeing, McDonnell Douglas, others	Machinists, Auto Workers	142,500	April-December
Nonferrous metals	Kennecott, American Smelting & Refining, Anaconda, Phelps Dodge, others	Steelworkers	50,600	June-October
Telephone equipment	Western Electric	Communications Workers, Electrical Workers	101,700	July-September
Steel	U.S. Steel, Bethlehem, Republic and others	Steelworkers	378,500	Aug. 1
Longshore	Atlantic and Gulf shippers	Longshoremen	57,000	Sept. 30
Coal	Bituminous coal operators	Mine Workers	80,000	Nov. 12
Railroad	Major railroads	United Transportation Union, other rail craft unions	527,200	Dec. 31

or push for high contract settlements. But such normal behavior may not occur this year due to labor's claims about alleged past inequities, and the political hay that can be made from energy-caused squeezes on income and jobs.

The phenomenon of rising unemployment and higher inflation—a condition expected in the first half of the year at least—has taken place in 1970-71 without overly dampening labor negotiators' push for fatter contracts.

On the rosier side of the labor-management front this year, there will be a promising and significant experiment in collective bargaining in the steel industry.

The United Steelworkers of America and the 10 leading steel companies will negotiate their new contract under a no-strike, no-lockout agreement signed in 1972. The first such experiment in a major, nationwide industry, it's hailed by labor-management experts as a welcome sign of statesmanship by the steel union—which is worried about imported steel taking a bigger slice of the domestic market, leading to a loss of jobs.

The agreement calls for binding arbitration if the two sides fail to agree by April 20 on a new contract to replace one that expires July 31 for 378,500 workers. The pact also guarantees a minimum annual wage

increase of 3 per cent over the life of the new contract, but Steelworkers President I.W. Abel has indicated the union will ask for a package of wages and fringe benefits of at least 7 per cent.

The white-haired unionist dismissed the Cost of Living Council's 5.5 per cent wage guideline as "obsolete," following a strategy session this winter. And Stewart S. Cort, chairman of Bethlehem Steel Corp., warned against optimism by saying: "All we did is take the crisis out of bargaining; there are still going to be some tough negotiations to follow."

One aspect of those negotiations will be a union push to tie pensions to living costs.

Mr. Abel's Steelworkers and the Aluminum Workers International Union won that juicy plum from three major aluminum producers—Alcoa, Reynolds and Kaiser—in an early-February contract settlement that came four months ahead of schedule, and the Steelworkers won the same plum in mid-February from four major can manufacturers—Continental, American, National and Crown Cork & Seal.

The aluminum settlement called for wage increases of about 14 per cent over the life of a 40-month contract. But attention centered on expensive extra benefits, including higher living cost allowances, a lowering of the standard retirement age from 65 to 62, and—above all—a provision under which new pensions would rise at 65 per cent the rate of increases in the government's Consumer Price Index.

Similar benefits were in the can industry contract, which runs for three years.

Troubleshooter stays

One favorable omen in the collective bargaining field was the Nixon Administration's ability to persuade W.J. Usery Jr., director of the Federal Mediation and Conciliation Service, to stay on after it was widely believed he would leave to take a top position with the AFL-CIO.

The genial, Georgia-born Mr. Usery, a former machinists' union official, has developed into the Administration's top labor troubleshooter, a skill that may come in handy in a tough bargaining year.

A strong believer in peaceful settlement of labor-management impasses, he has been given additional responsibilities as special assistant to the President for labor relations activities with emphasis on "all labor relations matters having to do with the production, delivery and dispersion of energy fuels and power." Even before his decision to stay in the Administration, Mr. Usery was credited with helping to avert a December strike by airline pilots who were unhappy with flight cutbacks and layoffs due to the fuel shortage. More recently, he played a key role in getting protesting truck drivers back on the road.

As usual, organized labor has a flock of goals outside the wage and extra benefit area.

On the political front, a large segment of the union movement is behind a drive to push for impeachment of President Nixon. Spearheaded by the AFL-CIO's George Meany, many union leaders are beating the drums. Some unions which have supported Mr. Nixon in the past are still firmly in his corner, however.

Thumbs down on vetoes

Another major goal of organized labor in 1974 is the election of a "veto-proof" Congress next fall. The unions hope for a minimum of 22 more House of Representatives seats and five to seven more in the Senate on their side so Congress can override Presidential vetoes like some of those handed down over the past few years.

Several unions that disagreed with the AFL-CIO's "neutral" stance in the 1972 Presidential election are back in the fold, and funding and co-operating with the Committee on Political Education, the labor federation's political arm.

COPE is well along on a new project to place the names, addresses and party affiliations of the 13.5 million workers in AFL-CIO unions on computer tape—which would be a big aid in enlisting campaign workers and getting out the vote.

Buoyed by some notable successes in the 1973 state and local elections, COPE approaches next fall in a mood of confidence that more politicians friendly to union goals can be elected to Congress.

Labor's legislative shopping list for this year is long, as usual. Labor lobbyists will push such priorities as:

Protectionist changes in the trade bill passed by the House last year and pending in the Senate; a higher minimum wage bill that doesn't call for a lower minimum for teen-agers; a national health insurance bill (the more sweeping Kennedy bill is favored); pension protection; tax changes; and increased federal subsidies for mass transit.

But it's a good bet that no goal will inspire more union fervor than that "pound of flesh" that Secretary Brennan spoke about. **END**

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Coping With a Shortage Economy

Smart managers are finding solutions to supply problems for the immediate future; the nation has to find them for the long term



ILLUSTRATION: JERRY BARBER

For Jerry Williams, general manager of purchasing at Island Creek Coal Co. in Lexington, Ky., the last six months have been a real hassle.

"The coal industry is booming. All of us want to buy equipment, but there's a real lack of inventory among our suppliers," he says. "We're hitting all types of shortages now. There always are some shortages, but now they seem to be the norm."

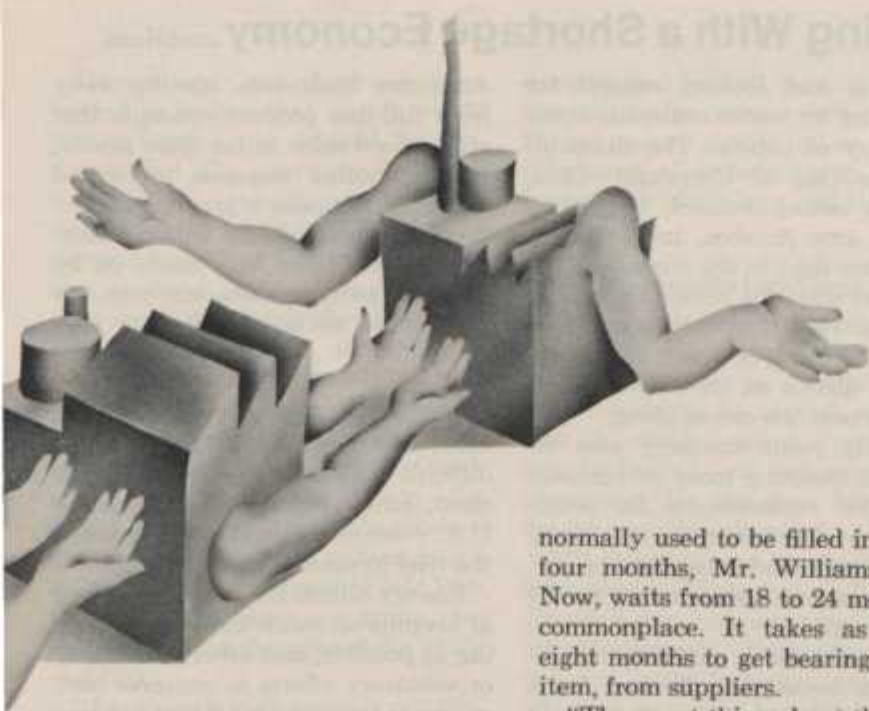
If it's any comfort to Mr. Williams, who's responsible for keeping Island Creek in supplies ranging from bolts to bulldozers, he's not alone. His frustrations are being felt

in almost every nook and cranny of the interdependent, trillion-dollar-plus U.S. economy these days.

Shortages are the norm all over the place, and for months, businessmen in almost every industry have been facing long delays and paying sharply higher prices to get materials vital to their operations. In turn, they've had to tell their customers to expect delays stretching from weeks into months.

Like ripples on a millpond, scarcities in several key industries have had an effect that has spread throughout the economy. The inability of the steel industry, for instance, to produce and ship as much metal as demand calls for has put a crimp in operations of thousands of companies across the U.S.

And steel is just a beginning. Shortages this winter have shown up in plastics, paper, glass products, canned food, home freezers, clothing, furniture, sporting goods, paint . . .



the list grows longer each week.

Exacerbating the shortage problem is the energy deficit. While mandatory allocation quotas have allowed most major firms to continue to operate, overtime work to catch up with backlogs is curtailed.

For Jerry Williams, the shortage syndrome literally has covered everything from bolts to bulldozers. Due to fabricators' inability to get steel, Mr. Williams found orders for roof bolts—used to shore up ceilings in mine shafts—weren't fillable.

"Fortunately, we had large inventories of roof bolts and we now seem to be getting shipments on a more systematic basis," he says. But other, less sizable companies, he notes, weren't so lucky. With only small inventories, they had to close down until new orders came in.

For the coal industry, such shortage-induced stoppages are ironic. For years the industry has languished, with pollution control laws encouraging customers to turn to readily available oil and natural gas.

With coal now touted as part of the answer to the energy shortage because it is one fossil fuel the U.S. has in abundance, the big surge in the industry has caught suppliers with low inventories.

An order for heavy, specialized equipment to dig coal, for instance,

normally used to be filled in three or four months, Mr. Williams recalls. Now, waits from 18 to 24 months are commonplace. It takes as long as eight months to get bearings, a shelf item, from suppliers.

"The worst thing about the supply situation is that it changes all the time," Mr. Williams complains. "I don't know what's going to happen next week. It makes it very difficult to plan."

Uncertainty, then, and a disruption of normal practices as firms scramble for the dearth of supplies, is what it's like to do business in the shortage economy. Muddling through and trying to keep up with a supply-demand problem that changes swiftly while attempting to "guesstimate" the effect of the fuel shortage on operations has been typical for months. So far, most of the dislocation has been confined to the industrial sector, but many scarcities have worked down to the retail level.

"It's probably good I don't have a lot of facts," laughs one Colorado manufacturing executive. "If I did, I'd probably panic."

The darker side

While conditions are changing swiftly, these are some of the ways in which the shortage economy is affecting businessmen, and in which they are trying to cope with it:

- The most drastic reaction to the supply pinch has been the closing of plants, and the shutdown of some small businesses.

Unemployment due to shortages and the fuel problem is estimated at 240,000 by the Labor Department through January.

Some small businessmen say they

can't afford to carry large inventories and are vulnerable when a material shortage crops up. Others complain they have less economic clout with suppliers than big firms.

- Also on the dark side of the situation have been reports of price gouging and the existence of black markets. Gray markets—or the sale of goods at premium prices in ways that are technically within the price control law but aren't within its intent—have also been reported.

- All kinds of supplier problems have developed. Perhaps the most common is the need for long lead times to get vital supplies. James E. Dymond, president of Aquamatic, Inc., a valve manufacturer in Rockford, Ill., says the delivery of gray iron castings for use in valves has gone from a normal eight weeks to 45 weeks. Consequently, Aquamatic's delivery schedules have been stretched from three to 12 weeks. Such dislocations and delays—multiplied hundreds of thousands of times—are a severe drag on the economy.

Many companies have tried to get around delays by going to more than one supplier, going farther afield for materials, and beefing up purchasing staffs and expediting orders. There are reports of company purchasing agents trying to "sell" themselves to suppliers' salesmen, rather than vice versa.

"But new suppliers usually won't look at you," says Mr. Dymond. "We rely on good relationships with our normal suppliers."

A garment manufacturer that uses a lot of denim reports having its own fleet of trucks is a big plus. "If we had to rely on common carriers we'd be in trouble," the president of this Western company says. "When we have a shipment coming through, we have a truck waiting for it. The market is so tight that if the shipment is not picked up in a day, it will be gone." The company has taken the precaution of storing gasoline at various facilities to ensure that its trucks will be able to roll.

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Coping With a Shortage Economy *continued*

packaging and looking around for substitutes for scarce materials is another way of coping. The Sherwin-Williams Co., of Cleveland, Ohio, says it's selling Polasol, a catalyst used in auto finishes, in pint sizes now rather than in the normal gallon can. That way, the reasoning goes, a small job requiring only a quart or two of the catalyst won't tie up two or three quarts on the buyer's shelf until the next job comes along.

The big paint company also reports it's spending more on research to develop replacements for petroleum-derived polymers in its paints. "Finding substitutes is ahead of us," says a company spokesman. "It will be real tough."

Unfortunately, a shift to substitutes can mean that demand for a new material puts it on the list of scarce items.

- Another response has been for companies to prune their product lines with the idea of maximizing profits by making the most efficient use of materials and energy. The re-

American businesses moving away from full-line product concepts that emphasized sales rather than profits.

- Still another response to limited materials has been a juggling act between various divisions within a company. Some firms have made do by grabbing parts or materials from one division for use in another.

The brighter side

While the last six months have been, and much of 1974 will be, a difficult period for business adjustment, many economists believe the U.S. economy should come through the trial in reasonably good shape.

Energy allocation programs aimed at keeping as much industry operating as possible, and other mandatory or voluntary efforts to conserve fuel, are among reasons for this view. And the natural, cyclical slowing of the economy expected in the first half of this year should lift some of the shortage burden.

But many of the acute shortages now plaguing the U.S. will not dis-

THAT'S NO MOONSHINE

Surprises can be a by-product of coping with supply problems. A major printing company ran into an acute shortage of industrial alcohol, used to remove impurities from printing plates. So it got a small still to purify and recycle its limited supply of alcohol.

Enter the government. Not only did the company have to register its 275-gallon tank with the Inter-

nal Revenue Service and buy tax stamps, an executive reports, but "one day this guy appeared at the door to inspect us."

It turned out the inspector was from the Treasury Department's Bureau of Alcohol, Tobacco and Firearms. Uncle Sam, it seems, wanted to make sure the printing firm wasn't diversifying into the liquor business.

sult is that lower-profit-margin products are dropped in favor of those offering higher margins.

General Electric Co., for instance, has dropped blenders, fans, heaters, humidifiers and vacuum cleaners. Shell Chemical Co. has reported dropping production of styrene butadiene rubber, isoprene rubber and fertilizers.

Due to this product reduction drive, some marketing experts see

appear with a slackening of activity, economists warn.

"We're entering a unique, difficult and challenging period," says Walter E. Hoadley, executive vice president and chief economist of the Bank of America. "We used to believe that the only thing we had to do was achieve full employment... that the main problem was a lack of demand. Now we see we've got to put a lot more emphasis on the supply side."

Government and business have tended to believe that supply would always catch up to demand, he continues, but the shortages in every corner of the economy now were not caused by the traditional problem of demand exceeding supply at the top of a business cycle. Demand hadn't even reached its peak when the shortages started to pinch, the Bank of America executive says.

And for the future, demand for goods and services in the U.S. seems to be there. Despite declining birth rates, the 25-39 age group—the prime consumers of durable goods—will increase almost 15 million in the 1970s. These are the post-World War II babies. The same age group rose only 1.2 million throughout the 1950s and 1960s.

This growth in demand is not limited to the United States. There is a world-wide surge of markets for raw materials and goods as more nations increase their standards of living.

Competition for raw materials that the U.S. faces from Japan, Western Europe and developing countries is severe as their economies move toward our level. Demand—as dramatically illustrated by the Arab oil embargo—has shifted the balance of bargaining power from raw material-importing countries to countries that export raw materials.

According to the Interior Department, the U.S. already depends on imports for more than half its supply of six of 13 basic raw materials required by an industrial society—aluminum, chromium, manganese, nickel, tin and zinc. By 1985, the country will also depend on imports for half its iron, lead and tungsten. And by the year 2000, imports will have to supply half of our copper, potassium and sulfur. Phosphorus, the thirteenth material, is considered abundant.

While such facts raise the possibilities of "economic blackmail" by exporting countries, the situation is really not that bleak. The sharply higher prices for such materials should stimulate development of lower-mineral-content domestic sources, economists say.

This country, far from running out of raw materials, still possesses large

deposits that haven't been developed because foreign sources were cheaper. Higher prices should allow for development of technology to extract lower-grade aluminum and iron ores, for example.

Reviving capital outlays

The overwhelming prescription of economists for a long-term solution to such shortages is a healthy, sustained increase in capital spending over the coming years. Capital outlays in mining and primary metals processing, for instance, have been flat for a number of years.

Mr. Hoadley says his studies have led him to conclude that—taking into consideration inflation, environmental spending and obsolescence—U.S. industry in the last eight years "has added to its capital base far less than in other periods."

Otto Eckstein, Harvard economist and president of Data Resources, Inc., Lexington, Mass., believes some shortages now can be traced back to the mid-1950s when business expanded its productive capacity only to see it sit idle as economic reces-

sions hit in the late 1950s and early 1960s. Several basic industries like cement, aluminum and petroleum refining suffered from overcapacity during the 1960s.

Meanwhile, Japan and Europe replaced their war-ravaged plants with new ones and, aided by an overvalued U.S. dollar, were able to carve out sizable pieces of the U.S. market with lower-priced products ranging from autos to shoes to steel. The return on new U.S. plants and equipment sagged further.

The result: Many businessmen held capital spending in check because return on capital was too low. Critics of business call this shortsighted, but the government and academicians also failed to see the crunch developing, according to Prof. Eckstein.

A recent survey shows outlay for plants and equipment is expected to increase about 14 per cent in 1974 to a record \$112 billion. Significantly, some of the biggest spending is to be in industries where demand is now outrunning supply.

The mining industry, including oil

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Shortage Economy

continued

companies, hopes to spend 30 per cent more this year than in 1973. Electric utilities expect to spend 14 per cent more. And even the railroads intend to hike spending 10 per cent, the first planned upturn in the industry's capital outlays since 1961.

For the Bank of America's Mr. Hoadley, the problem is "to create more supply without creating more inflation." He asks: "How do you place an investment boom on a fully-employed economy? It's very difficult and delicate."

Needed: New approaches

While capital spending may be the major way to overcome present shortages, business will have to grapple with new ways of doing things in the future.

It will have to think about economizing on the use of scarce materials and energy.

Also, it will have to develop more efficient methods of producing and recycling materials.

The White House-established National Commission on Materials Policy says what's needed is "recycling of materials through the economy with minimal losses in matter and energy."

It suggests modifying the materials system so that all costs, including environmental ones, are paid for by the ultimate users.

Basically, more efficient use of materials is a problem for technology. In the future, it may be the engineer rather than the marketing man or financier who has the answers business needs.

From government, Mr. Hoadley asks three things over the short term:

First, realize the shortages are real and won't go away soon. Second, take a "hard look" at price controls, especially profit margin controls. "Business needs price increases," he says. And third, through monetary policy, keep credit from overexpanding, but "don't screw down so tightly as to reduce investment." Credit should be "relatively restricted," he says, "but not tight."

Many Americans don't look with favor on incentives to business. But without such incentives we may be living with shortages a lot longer than we have to. —DAVID MCLEAN

panorama of the nation's business

By VERNON LOUVIERE
Associate Editor

Say It With Flowers, and the FBI Listens

Almost invariably, when a major underworld figure dies, FBI agents pay a call at the national headquarters of the Florists' Transworld Delivery Association in Detroit.

The agents scan computer tapes which contain the names of all persons who wire flowers through any one of FTD's 13,500 member florists. The FBI is anxious, of course, to find out who is sending flowers to late-departed mobsters.

According to John L. Bodette, executive vice president, the clearing-house operation at FTD's headquarters is similar to that of a bank, with computers used to keep up-to-date records of all credits and debits of its members.

FTD, founded in 1910, has members throughout the Western Hemisphere and is affiliated with Interflora, a world-wide flower delivery service composed of 40,000 florists in

130 countries, some behind the Iron Curtain. Formerly the Florists' Telegraph Delivery Association, FTD's name was changed when the telephone replaced the telegraph in communicating orders.

Like postmen of another day, FTD lets few obstacles stand in the way of its getting flowers delivered.

"A few years ago, when a Spokane businessman took an around-the-world cruise his office asked that he be greeted with bouquets at a dozen ports of call," Mr. Bodette recounts. "The order went through without a hitch, even though a florist in Kenya had to make a special four-hour boat trip downriver to deliver blooms to a cruising steamer."

But a British florist once had a tougher time of it—delivering flowers to a lighthouse on a stormy day. His first three attempts in a rowboat failed. On the fourth try, a line was thrown out from the rocks and it hauled ashore a carefully packed box of lilies of the valley.

A Valley Stream, N.Y., florist not



John Bodette with special Mother's Day and Father's Day offerings.

only delivered flowers to a wedding but brought the bride as well. He found the bride, snowbound at home, in tears. The florist and his truck got her to the church on time.

But sometimes, Mr. Bodette says, the best-laid plans go awry.

Consider the grand opening of a major bank in Dallas, Texas. A city official placed two orders with an FTD florist—one to go to the bank and the other to the family of a deceased friend. Unfortunately, the man switched his enclosure cards. To the new bank went a beautiful floral display with this message: "Our deepest sympathy." Said the other card: "Congratulations on your new location." •

Felt Gives a Feel for the Economy's Future

Economists who rely on such old standbys as inventories, carloadings and retail sales to predict the future may be overlooking a most reliable indicator: the felt market.

It's proved reliable, at least, to Frank Campagna, vice president-industrial products of GAF Corp., a major producer of felt as well as of specialty chemicals and photographic products and supplies.

The secret of felt reliability as an economic yardstick is the wide range of uses to which it is put in industrial and consumer products, says Mr. Campagna. Felt, in fact, is used in 162 industries, for everything from cushioning and packaging to thermal insulation and percussion control.

"This variety of markets enables

the observer to discount those increases or drops in sales which result from changes in product design or in the fortunes of a single industry," according to Mr. Campagna.

For example, slippers accounted for a large share of felt's markets 20 to 30 years ago, but changes in style have reduced such sales. On the other hand, respirator and filter felt is in great demand since passage of federal safety, health and environmental protection laws.

As a rule, according to the Campagna felt indicator theory, a general sales upturn for the product precedes by four or five months an advance in the general economy. Mr. Campagna explains this with the fact that felt is a somewhat subordinate component—a component of components.

Quality, as well as quantity, figures in felt-based economic forecasting.

"We find a prognosis for hard

times when manufacturers come to us and try to save on quality," Mr. Campagna explains. "We find a preview of a tightened-up economy when they say, 'This is the job I want done, and this is the felt I'm using, and I want a cheaper grade of felt that will do the same job.'"

However, a pickup in luxury end-products, such as the felt used in pianos or ski boots, shows the economy is in an upbeat posture, he says.

Felt sales dropped in April, 1970, preceding the general business downturn. A slight increase in the spring of 1971 was followed by a plateau, but a major advance began in January, 1972, and continued through 1973. Sales now are running 10 to 20 per cent ahead of a year ago.

Mr. Campagna's felt-based outlook for the immediate future: The economy is headed upward. •

continued on next page

An Immigrant Shares the American Dream

Vartakes Migrdichian, 79, retired 16 years ago, but he still puts in many a long workday.

Mr. Migrdichian, an Armenian immigrant, came to the United States in 1914, virtually penniless but full of desire to realize the American dream.

At Cornell University, he worked his way through to a doctor's degree in physical chemistry. His first and only full-time job after Cornell was at American Cyanamid where he became one of the company's foremost chemists and a world authority on insecticides.

Mr. Migrdichian was intrigued with Wall Street investments, even after the market crash in 1929. He bought "good stocks cheap" and made money. In fact, he became very wealthy.

More than 250 other Armenian immigrants are glad that Mr. Migrdichian prospered under the American system and that he did not fully retire—all have been able to obtain



Vartakes Migrdichian in his American Cyanamid laboratory.

college educations at his expense. Another 40 are currently in college.

"The memory of my own struggles was fresh in my heart," Mr. Migrdichian says. "That's why I decided to help Armenian students who were in a situation like my own years before."

In the early 1950s, he established a scholarship fund in his father's name with the Armenian General Benevolent Union. Aware of his Wall Street acumen, the organization "allowed" Mr. Migrdichian to invest his initial donation—\$147,000—in stocks and bonds. He ran the scholarship

fund up to \$1 million. In addition, he continues to contribute financially to the educational program.

Despite his retirement, Cyanamid gives him office space at its Stamford, Conn., laboratories, where he spent so many years. Fifteen-hour days are not unusual and they are devoted to writing. Mr. Migrdichian is working on a six-volume study of organic synthesis. The first two volumes sold out in eight months. The third and fourth are now ready for publication after 13 years of writing.

"No, I can't really retire," he says. "Work is the biggest pleasure of life."

Mr. Migrdichian played a prominent role in the collective research on DDT and went on to help discover another insecticide, malathion.

In his view, today's immigrants are a special breed. He has written:

"Believe me, it is among these hard-working, strong-backed, honest, stoic, often poorly schooled 'newer' immigrants that you find some of the staunchest believers in the American Way, with its freedom and equality for all." •

You Think You Have Troubles?

All of this "happened" to the Gulf Oil Corp. in one eight-hour day in one city:

It was blasted in the local newspaper, threatened by an overly stiff antipollution ordinance, attacked by civil rights leaders and hassled with complaints by unhappy customers. To top it all off, a Gulf refinery was rocked by an explosion and fire.

Fortunately for the company, these were fictional happenings played out during a daylong seminar for Gulf regional managers.

The seminar was developed for Gulf by Burson-Marsteller, an international public relations agency, and a variation of it has since been tailored for five other major organizations.

So far, these seminars have been conducted in 11 cities before some 900 management personnel.

"On the theory that people who

have faced crises are motivated to prevent them, the concept of a crisis-management seminar evolved," explains William R. Cox, coordinator of U.S. public relations for Gulf. "The primary objective of the seminar is to dramatize the manager's responsibility for taking actions and initiating communications to help assure Gulf's compatibility with the communities where it operates."

In a typical Gulf seminar, participants focus on a company plant at "Crisisport, USA." Every conceivable problem that a manager might face is woven into the program's format. In one segment, two shouting blacks from the Crisisport Civil Rights League take on managers across a conference table in an angry confrontation. The managers are seminar participants; the so-called civil rights group emissaries are professional actors. In another session, participants are called on to testify at a public hearing on a tough antipollution ordinance proposed for Crisisport.

Elias Buchwald, president of Bur-

son-Marsteller, usually serves as moderator at the seminars. A typical opener by Mr. Buchwald: "It looks like a nice town, doesn't it? Well, if you're a Gulf manager in Crisisport, it's not as peaceful as it looks."

Simply working with the press can be a formidable problem. In one Gulf seminar the managers are asked to come up with a strategy for dealing with stories about employee layoffs, citizen reaction against offshore oil exploration and a move to unionize labor at the Crisisport refinery.

"We don't accept pat, formula solutions," explains Mr. Buchwald. "We try to develop realistic approaches toward working with the community, employees, press and special interest groups."

"People learn from experience and are anxious for critiques of their performance. We made Crisisport and its problems realistic enough so that, hopefully, managers will leave with a determination to prevent these disasters from happening in their own home towns." •

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Robert W. Sarnoff of RCA

In the vanguard of the "Electronic Revolution"

When it's not bringing you the entertainment, news and sports shows that are the basic fare of television programming, your set sits idle and dark.

And Robert W. Sarnoff thinks that's a great waste of the potential of an expensive, complicated piece of electronic equipment.

The board chairman and chief executive officer of RCA Corp. sees a not-too-distant future in which the television set will be the focal point of a "home information center."

Incorporating various auxiliary units, the overall system would, among other things, enable individuals to inspect, order and pay for merchandise; show home movies recorded electronically moments before; and obtain information on matters ranging from meat prices to technical data for a student's research paper.

Naturally, Mr. Sarnoff hopes the TV set and related equipment will carry the RCA label.

But television, however important, is only one aspect of the giant corporation which last year had sales of more than \$4 billion and has over

125,000 employees. The extent of RCA activities is spotlighted by the most recent company directory, which lists 261 domestic and 102 foreign installations and has 609 entries under the "index of products and services."

Operations are divided among these divisions and subsidiaries: Banquet Foods, Consumer Electronics, Coronet Industries (carpeting and home furnishings), Cushman & Wakefield (building management and other real estate services), RCA Distributing Corp., Electronic Components, RCA Global Communications, Government and Commercial Systems, Hertz Corp., RCA International, RCA Laboratories, National Broadcasting Co., Parts and Accessories, RCA Corporate Staff, Random House (publishers), RCA Records, RCA Service Co., and Solid State.

As head of a company that big and complex, Bob Sarnoff sees his job as the "management of management."

He hadn't originally planned to join RCA, which was led for more than 40 years by his father, the legendary Gen. David Sarnoff, who died in 1971 at age 80.

Bob, the eldest of three children, attended Harvard, served in the U.S. Navy during World War II and was working for *Look Magazine* in 1948 when an executive several rungs below his father asked him to come over to RCA's NBC subsidiary.

He went and stayed.

Now 55, Bob Sarnoff became president and chief operating officer of RCA itself in 1966, president and chief executive officer in 1968 and chairman and chief executive officer in 1970.

Since 1966, RCA's revenues have climbed 60 per cent. They—and the company's profits—are at record levels.

In addition to his business activities, which require heavy international travel, Bob Sarnoff contributes much time to civic and cultural activities, including the Boy Scouts of America; organizations to help minority groups; the United Fund and an electronics industry program to spur purchase of U.S. Savings Bonds through payroll deductions.

He is a major collector of modern art and of Oriental art, some of which goes back several hundred years and

Robert W. Sarnoff

continued

which includes such rarities as a book with pages made of sheets of jade.

Mr. Sarnoff's collection is in his seven-story town house off New York City's Fifth Ave. There, he discussed his business and other interests with a NATION'S BUSINESS editor:

You've finished 25 years with RCA. What have been the major changes in this period?

RCA was started in 1919 as a communications company but became known primarily for broadcasting, beginning with the creation of the NBC radio network, and home instruments—radios, phonographs, records and, later, television sets.

While the company's activities in broadcasting and home instruments are still important, it has broadened its scope tremendously both domestically and internationally. We have, as you know, branched out into such things as car rentals, prepared frozen foods and home furnishings.

There are sound reasons for this. Diversification broadens the base of a company so it isn't subject to the ups and downs of the economy affecting one or two of its particular businesses. Also, it's a truism that the economy is moving more toward service than product manufacturing and we have created a balance between the two for ourselves.

Do you consider your diversification completed?

We have no fixed plan of diversification. It has come about not only by our going outside the company, but internally by enlarging the sphere of activity of some existing businesses. For example, our international communications company, Globcom, was a relatively modest type of business up to a few years ago but has expanded greatly by virtue of the new opportunities offered by satellites and microwave communications.

While we are not engaged in an active program of acquisition and diversification just for the sake of growth, I can't say categorically that we will not continue to diversify or expand.

What changes did you make in the

management structure after you began running RCA?

One was to develop a corporate staff with particular emphasis on marketing, finance and long-range planning. The other was to give greater emphasis to our international activities by putting the responsibility directly on the operating divisions. A corporation is like a living organism. It has to keep changing, and what you do to suit today's purpose might not suit tomorrow's. You have to keep changing.

How do you keep tabs on all the various components of a company as big and diverse as this one?

Probably the most effective way is direct contact with the individuals responsible. All of the operating activities, except NBC, which reports directly to me, report to Andy [Anthony L.] Conrad, our president, and he keeps me fully informed of what's going on, to the extent that he thinks it's important. But I deal with the top staff on a day-to-day basis. They are the eyes and ears of the president and chairman.

Then, I read reports. We have sen-

ior management meetings on a regular basis—they are very intensive, and there is some hard questioning. We have business planning meetings during the course of the year—we have quarterly reviews, we plan for the year ahead, and we work out five-year projections.

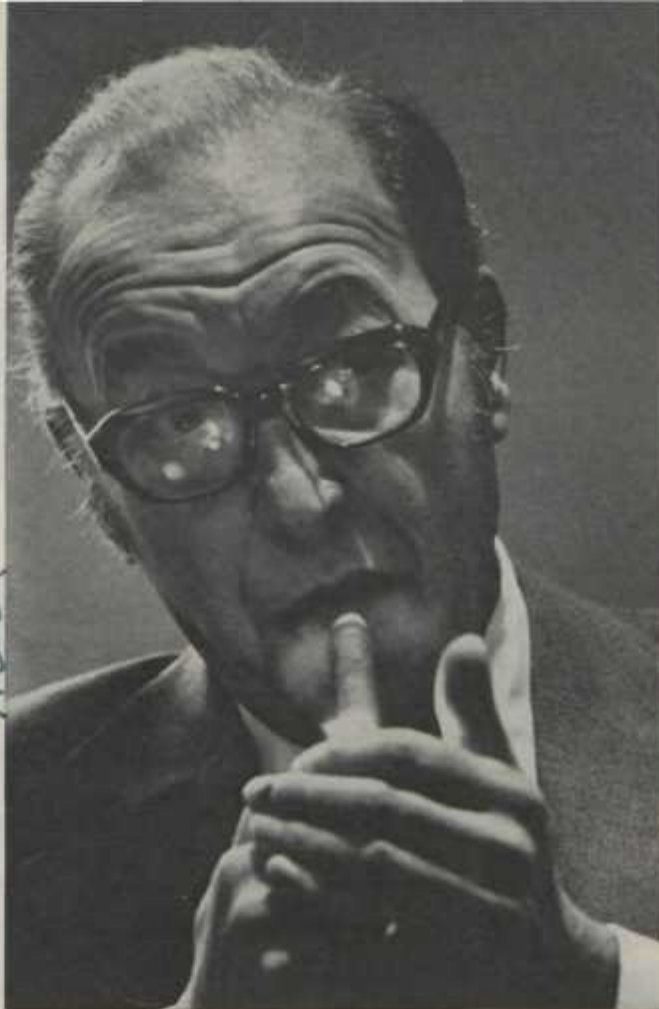
What is your basic approach to your job?

I think the function of a chief executive is the management of management. My basic philosophy is to manage by exception, and to seek to avoid surprises.

One isn't always successful in that. In any large corporation, you always run a risk of something getting by you. But I think if you have a good staff which gets along well with the operating divisions, if you have an active, vigorous president, and if you spend enough time yourself going around, you get a pretty good feeling of what's going on.

What do you mean, "manage by exception?"

To be *au courant* with everything going on but, as far as managing is



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Lessons of Leadership: Robert W. Sarnoff *continued*

concerned, to deal with the exceptional matters. There is no point in spending an inordinate amount of time on an activity that is well-managed and that you know is doing well while you could be dealing with something that, with proper direction, could be straightened out or made even more successful. Use of time is a matter of priority like anything else.

What were your early days in the company like?

Before answering your question, let me tell you briefly how I came to work for NBC at the beginning of 1948. I was working for *Look Magazine* and for a year before that had worked for the *Des Moines Register and Tribune* and its radio station, KRNT. I was fascinated by all forms of communications. I suppose it was natural, having been brought up in a communications environment.

Anyway, I received a call one day from Frank Mullen, then executive vice president of NBC, asking me to come see him. He asked if I would like to go to work for NBC. I was receptive, because I felt by then that the real future lay in electronic communications, particularly television. However, I said that I didn't think my father would like the idea of my joining NBC. Mullen replied that he was hiring me and that my father had nothing to say about it.

So I joined NBC in 1948 as a salesman in what was then called the television network but actually was our New York television station connected by microwave relay to a station in Philadelphia. The situation was very fluid at that time, so you could almost pick your own job and do what you wanted.

I'm not sure whether it was by design or happenstance, but I became the expert on "Howdy Doody." That led to what was called program sales—selling advertising spots for a specific program. I think the first spot we ever sold was to a sweater company.

This was for the two-station network?

Yes, but it wasn't really very long before we began to hook up. It was like laying tracks for a railroad: Cleveland, Chicago. . . . I remember

when we finally hooked up with the West Coast. It was like putting in the golden spike.

Your own work was expanding at the same time, wasn't it?

Yes. I found myself involved in the middle of things such as selling programs—like "Howdy Doody"—and advertising time. I was, I think, the only one at that time who had knowledge of both sales and programing, so the next thing I knew I was dealing with producers and directors.

We had a consultant come in and make a study of how to organize the company for the future. And because all the producers and directors happened to be reporting to me, it was decided I would become officially head of production. It was as simple as that. My first task was to give pink slips to about a half-dozen directors. We just had too many then.

From that point on, I moved through different areas because they were like vacuums. Nobody was there, so I moved in. That's how I became head of unit productions, which gave me responsibility over the big shows then, like "Colgate Comedy Hour," Kate Smith, and "The Kraft Theater."

During my years at NBC before I became its president, which I did in 1955, I was involved in almost every facet of the business except actually running a local station.

Back in those early days, did anyone foresee the tremendous growth of television?

I think my father did. I am not sure any of the rest of us were prepared for the explosion that took place in the mid-Fifties. And I am not sure any of us really anticipated the tremendous impact that television would have, not only on our living habits but on our culture, particularly in the area of journalism and politics.

We've been looking back. What will television of the future be like?

I think it will increase in importance as a source of news and information to the public, but not at the sacrifice of books and newspapers.

I see the continued existence of

networks. If there weren't networks today, somebody would have to invent them. While there may be some changes due to government regulation and other causes, I think the basic network structure will remain because it is the only way in the foreseeable future to provide a total program service. Only a network can put together a program matrix, really.

Technically, I expect to see a different type of home television in the next decade—mural television, or flat screen as we call it. A wall in your home would have a large flat screen on it and you would sit across from it with a little box to control the picture.

Other services will come along that will supplement the networks, leading to what we call the home information center, with the television set as the hub.

Would you tell me more about this home information center idea?

The television receiver today is somewhat like the human brain, operating at about 10 per cent of capacity. But it also could be a transmitter. Over the next decade, we will see it used with a series of attachments. One will play prerecorded tape carrying entire programs or home movies. Another will provide printouts of various types of information. Another could be a computer terminal.

All this in the home?

Yes. You see, the home today has two-way communications only by telephone, but there is nothing to prevent it from having two-way communications in other forms.

What we call the "checkless society" could really mean a communications system that would permit you to examine merchandise on your home television, order it, and then transmit a bank code number so the purchase price would be deducted from your account and credited to the seller's. You would never write a check.

A student would be able to obtain information from a central computer bank. Advertisements might be shown on the television set or printed out on paper on another facility of

the home information center for closer study.

All this is going to happen. How and when, I just don't know—because we are talking about billions of dollars in investments to get these systems started.

You have warned publicly that technology could have an adverse effect on society if we are not prepared for the rapid changes it's bringing. Would you elaborate?

We could drown in a sea of information that our new technology can provide, if we don't gather and organize it properly. I think a great number of us are not fully prepared for the impact of the new technology. We don't really know how to use it yet.

How should we prepare?

The only way is an empirical, pragmatic one. We have to be guided by sound advice from scientists who understand this technology—those who design it and know what its function is—and not by promoters or people full of wild theory.

You have turned to the academic world in this area, haven't you?

Yes. We established two David Sarnoff Chairs, in honor of my father, one at Harvard Business School and the other at the Sloan School of Management of Massachusetts Institute of Technology. The professors named to fill them will study the impact of technology on the individual, and how the individual can adapt himself to and use technology. It was a perfect fit because Harvard had been addressing itself to one aspect, organizational patterns, and M.I.T. to another, the processes involved in change.

What do you hope comes out of this program?

I would hope that the recommendations made might be incorporated into seminars and courses at the universities and that they, in turn, would provide a feedback to industry. That was one of the purposes. We are not expecting to learn a lot in the next year or two, but over a decade I would expect that we will learn a great deal.

The project goes all the way from making sure the individual doesn't feel lost—in a cold, impersonal world over which he has no control—to how to use the new technology as it comes along.

What are some of the benefits this technology will have for society?

I can see a comparison between the Industrial Revolution, which increased man's muscle power, and what I now call the Electronic Revolution, based on solid state circuitry and miniaturization, which will increase the individual's brainpower.

It will free man from a great deal of drudgery and tedious chores. A growing variety of inexpensive, compact and versatile devices will perform the menial tasks of the mind—calculating, remembering, research, and measuring risks and opportunities.

When full information is accessible from anywhere, day-to-day decision-making in business will be simpler at all levels, and top management can devote itself more to creative planning and policy-making while local

managers can act more quickly to meet local conditions.

Such developments can lead to more flexibility in management, enabling industries to shape their organizational structure to suit their individual requirements either by unified control of far-flung activities or delegation of authority to many centers. Tomorrow's public or private organization will be able to reshape its structure as needed to meet changing conditions and objectives.

With electronic equipment to provide instant information and perform repetitious and routine functions, the schoolroom, for example, could become a place for greater discussion rather than emphasis on the ordinary disciplines.

In another area, through satellite communications, new technologies will help underdeveloped countries close the gap with the industrialized world much more rapidly than otherwise would be the case.

Your company must run into problems that other types of multinational companies don't. What are some of



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continued

the difficulties in the way of global communications service such as the one you provide?

Number one is the very wasteful tendency of major powers to feel that it is a matter of national pride to have their own satellites for international communication. They might have them for domestic purposes, perhaps, but I think it is in the interest of everybody to have an international system that all countries can participate in—particularly because of its effect on world trade.

A number of the problems that arise in global communications involve control of the information going in and out. It's difficult to confine a transmission and say "don't go beyond this point," because the waves just go. So freedom to communicate is one of the great problems, too—both freedom to provide the information that you want and freedom to get the information out through access to the transmission facilities of a foreign country.

Then you have obvious problems like different labor laws, different rules of libel and slander, problems of frequencies and copyrights. I am certain that somewhere along the way there will have to be international agreement on those matters.

You've recently taken over part of the telecommunications system in the State of Alaska. How does that fit into your broad scheme of things?

We view Alaska as our newest frontier. By being able to take advantage of all of the most modern technologies in communications, Alaska is going to be a model for the rest of the world.

Around the globe there are vast areas that are underdeveloped, because of either economic or geographical circumstances. In such places, the old, established communications infrastructure of highly developed societies barely exists. So we can leapfrog all of that, and hopefully all of the accumulated barriers and differences, and start fresh with the most modern communications techniques. That way, we can also use communications more effectively to stimulate economic growth.

RCA is going to have an important

role in the Alaska pipeline project, isn't it?

Yes, we are finalizing our contract with the Alyeska Pipeline Co. to provide the communications system, both terrestrial and satellite, for the pipeline.

It will serve two purposes. One is to permit control and monitoring of the pipeline over its entire 778-mile length from Prudhoe Bay on the Arctic Ocean to Port Valdez on the south coast of Alaska, making an instant response possible if there is a problem. Second, the system will have a capacity for providing commercial communications services in Alaska.

How reliable will the monitoring system be?

As foolproof as man knows how to make such a system. I don't know of anything that is completely foolproof. Whatever you do involves a degree of risk, more or less.

What's your outlook on the future of the national economy?

The economy has to continue to grow just by the nature of this country and the productive and service capacities already in existence. However, I don't think anybody at this moment can tell you with any assurance what the impact of the energy crisis is going to be over the next few years.

I think RCA is now positioned to grow at a rate faster than the rest of the economy.

The electronics industry is looking to auto manufacturing as a potential major market. What's happening there?

I imagine that, in the next five years or so, the value of the electronics in the automobile will probably exceed the value of the motor.

The most visible and dramatic use of electronics in the actual operation of the car now is the all-electronic ignition system and the solid-state circuitry for the seat belt arrangement.

One of the great things of the future will be a computer in the car which will warn you in advance of a potential trouble spot and tell you what to do about it. We are doing a

lot of work on this. We also could have circuits for collision prevention and controls to provide more efficient and effective use of fuel.

Turning back to broadcasting, you have expressed concern that freedom of information is threatened by some government actions. Has that situation improved?

I think the press—and when I say that I include the print media as well as broadcasting—will continue to be under attack and criticism. But I doubt if the same type of barefaced efforts will be made to intimidate it that we have seen in the recent past.

Would you like to see changes in the laws on licensing of broadcasting?

I have always believed it's in the public interest for broadcasters not to have to apply for license renewal every three years. The real broadcaster can perform a better service if he knows he has a longer period and isn't subject every few years to a challenge by somebody who's just making promises of what he will do.

You're going to get a bad egg here or there in any line of activity but on balance I think broadcasters have done an extraordinary job. There are a lot of people still in broadcasting today, by the way, who are pioneers, who were willing to take risks. Sure they are making good money, a high rate of return on their investment. But why shouldn't they? That's the name of the game in our country and in our economy.

The risks and expenses in broadcasting are enormous. All you have to do is look at the many unanticipated things that the networks and stations had to cover in the past year. It was fantastic.

What were some of them?

Watergate alone cost millions of dollars to cover. There were the moon shots. Every time the President wants to say something he's on the air; then others want to answer him and they are on the air. Princess Anne got married, and even though some commentators thought it was trivial, you would have been criticized if you hadn't covered it.

Do you watch much TV yourself?

Not as much as I should. Whenever there is news breaking, I watch that. I watch football if I'm at home. I used to watch television much more but I don't have the time now, so when I am home I spot-check. I like to see what NBC is doing and what the competition is doing.

Do you find much time for relaxation? Do you play golf?

No, I started four times and quit four times. I love to travel. To me, travel is relaxation.

You have a magnificent collection of art all through this house. When did you start assembling it?

It has gone through phases. I started many years ago on contemporary American, then I began to get interested in sculpture because the three-dimensional aspect appealed to me. Then I went back to some paintings that had three-dimensional qualities. One of the things I have enjoyed about it is that I have gotten to know, with a few exceptions, most of the artists whose work I have collected. Five or six years ago, I be-

gan to get interested in Oriental art.

What sparked that interest?

First the fact that there has been an Oriental room in this house for years, and secondly, the purity of design of Oriental furniture. Also I guess I like Oriental art simply because of its beauty and because it represents another part of the world that's interesting to me.

A final question: What do you want RCA to be, thanks to your leadership?

I want it to be the recognized leader in electronics, communications and information world-wide. And I want it to be as well-managed a company as it's possible to be. We're moving toward both goals. END

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Many eyes have now turned toward Gerald R. Ford. What, wonder Americans in all walks of life, if he became President?

The Vice President Views Business Issues

Early in the evening of last Oct. 12 Jerry Ford was getting ready to unwind from a typically busy day at the Capitol when the telephone rang at his home in Alexandria, Va., not far from Washington.

"This is the White House, Mr. Ford," said the caller. "Will you stand by for the President?"

In a few moments President Nixon came on the line and said: "Jerry, I've got some good news for you, but get Betty [Mrs. Ford] on the line because I want her to hear it, too."

Mrs. Ford, it turned out, was on the upstairs phone (the one with extensions) talking to one of the Fords' four children. The phone on which Rep. Gerald R. Ford of Michigan was talking to the White House had no extensions.

The Congressman faced the problem head-on.

"Mr. President," he said, "would you mind hanging up and calling me back on the other line?"

It was, up to that time, the most important phone call in Jerry Ford's life. Mr. Nixon was calling to say he would nominate Congressman Ford for the Vice Presidency—a decision he made public a few hours later in a pomp and circumstance affair televised to the nation from the East Room of the White House.

"You know, I wondered for a little while if the President wouldn't change his mind because I

had to hang up on him," Mr. Ford would joke later.

Well, Mr. Nixon didn't change his mind and Gerald Rudolph Ford, 60, a 25-year veteran of the House of Representatives and Republican leader of that body for almost a decade, has become our 40th Vice President.

Jerry Ford—he prefers the diminutive to start with a J rather than a G—has been given various political labels, but on one thing virtually everyone is in agreement: He has been a good friend of business.

Personally, the Vice President characterizes his political philosophy as "moderate in domestic affairs and dyed-in-the-wool internationalist in foreign affairs." Fiscally, he says, he's "conservative."

Letup in inflation?

In an interview with *NATION'S BUSINESS*, Mr. Ford gives his views on a variety of issues which will directly affect businessmen in the months and years ahead.

Aside from the energy crisis, he says, no single thing gnaws more at the fabric of American life than inflation. But he believes that, given some letup in the energy shortage and a leveling off of food prices, there will be some moderation in the inflation area in 1974.

"Let me remind you," Mr. Ford asserts, "that as bad as these twin problems of inflation and energy are in the United States they are far worse in most other major countries."

In Vice President Ford's view, both business and organized labor have a major responsibility—along with government—to do everything possible to curb inflation and even to conquer it.

"I think the country looks to business to take the initiative here," he says. "Business must find ways to cut costs and produce goods more efficiently. It is in the interest of business to look down the long road to a stable economy rather than down the shorter road to quick profits."

"But labor must show the same kind of statesmanship. I can think of no worse course of action for labor than to exploit the current unfortunate inflationary state by getting into the 'let-the-tail-wag-the-dog' kind of situation in which we found ourselves in the '60s. I'm referring to the fact that labor not only sought to catch up with rising prices but to push way ahead of these prices by demanding higher wages."

Because of this and other factors, the Vice President points out, the United States was pushed out of competitive world markets and the gap between U.S. imports and exports widened.

Does he see more cooperation between business and labor as a result of the current energy crisis?

Mr. Ford thinks it's certainly possible. He cites "a lot of evidence of this kind of effective cooperation" in the steel industry, dating back to before the arrival of the energy crunch, and adds: "I hope that the same

kind of understanding can be achieved in other major American industries."

He is referring to a pledge signed in 1972 by the United Steelworkers not to strike against steel companies while negotiations over a new union contract are in progress.

The Vice President sees little validity in organized labor's fears that too many American jobs are being exported to overseas markets where U.S. multinational firms are expanding their operations.

"Let's not lose sight of the fact that we have turned our trade deficit into a surplus and that the net result of this has been to create new jobs at home as our sales overseas increase," he says. "And we have been able to achieve this without creating any new trade barriers or imposing additional handicaps on our various reciprocal trade arrangements."

Focus on energy

Mr. Ford supports the Administration position that most remaining wage and price controls should be lifted April 30, adding: "It is quite possible that a good argument can be made to end all controls at that point." Much, he says, depends on whether and how the energy crunch is solved.

The Vice President professes to see no inconsistency in the fact that the Nixon Administration continues to call for economy in government at the same time it is seeking the most gigantic federal budget in the history of the republic. He blames a Democratically-controlled Congress, which he says constantly authorizes new and expanded programs and then appropriates the funds to carry them out. "This forces the Administration to spend many billions of dollars more than it would otherwise," he declares.

Although Gerald Ford has built a reputation as a fiscal conservative, he concedes that some deficit government spending is essential to avoid "unwise" high unemployment.

"I think we have to make some adjustments in that area," he says.

The Vice President returns frequently to the subject of the energy shortage which, he says, is the key to the future of this country and, indeed, the world.

"If we can get some breaks in the Middle East, and if we get continuing cooperation of the American people in conserving energy, I believe we can successfully attack this very serious problem of inflation," he says.

"Everything goes back to energy. Food production, for example. I feel confident that if we can increase our production, that part of the inflation problem will not be nearly as acute as it was in 1973."

The Vice President says the "One World" concept advocated by Wendell Willkie, the G.O.P. Presidential candidate in 1940, has become an actuality, with oil

The Vice President Views Business Issues *continued*

playing a large role in bringing this about.

He calls attention to a point he made in one of his first major speeches as Vice President: "Close an oil valve in the Middle East and you threaten to shut down a farm tractor in our Middle West. Halt that tractor and some people in the world will hunger for bread."

This, he says, was not an implied threat but was his way of expressing in "realistic terms" the interdependence between the United States and the rest of the world.

Mr. Ford describes as "misguided" those who argue that the energy crisis requires such drastic actions as nationalization of the energy industries, imposition of artificially low prices on fuels, and—as he sees it—"putting the whole economy in a strait-jacket, with rigid controls on everything."

He says: "These notions can only be described as the counsel of despair—and desperation. Instead of rigid controls that would add to the shortages, we need a minimum of interference with the free enterprise system's ability to produce."

Mr. Ford calls for more compromise and understanding on the part of industry and environmentalists as the nation struggles to extricate itself from the energy dilemma.

"I have said to my environmental and ecological friends that they can't be as inflexible as they might want to be, because if we don't have a healthy economy we are not going to have a country where we can save the ecology or the environment," he explains.

"We would be far wiser to be a little less rigid, to permit the economy to continue its steady growth. We can only have a better environment if we have a strong enough economy to support those things that people want done."

The tax outlook

On the subject of taxes and tax reform Mr. Ford says there is more demagoguery and rhetoric than substance from those who demand change.

"I'm certainly not saying that we shouldn't review the Internal Revenue Code from time to time," he

notes. "What may have been a legitimate benefit 30 years ago may not be a justified tax benefit today. The way some people put it is what irks me."

What about Social Security? Will the steady rises in contributions extracted from the individual worker and his employer ever let up?

"That could become one of the real

that's the only way government can provide better service for the people." He adds: "I am sure a major benefit of more efficient government will be reduced spending."

Here's how Mr. Ford stands on some other major national issues:

- *Mass transit.* He supports federal assistance for transportation equipment and though in the past he has

IN DEFENSE OF THE PROFIT SYSTEM



PHOTO: BENI

At a recent Washington meeting of businessmen seeking ways to overcome the energy shortage, Vice President Gerald R. Ford touched on a subject which has come under considerable fire—profits.

"Business," he said, "must profit because profit is required—for research and development of new products, for exploration of new

raw materials, for expansion of facilities that provide more jobs and lower prices through increased production, and as a reward to investors who have risked their savings in an enterprise."

But, he told the businessmen, who had gathered under auspices of the Chamber of Commerce of the United States and the National Association of Manufacturers, "the propaganda that's abroad in the land on the subject of profit doesn't mention these things."

"Instead, profit is pictured as a rip-off. It's denounced as exploitation. It's held up as something the bad guys steal from the good guys."

"In my view, the people who are hammering these notions into the national consciousness are playing a dangerous game. Carried to its ultimate conclusion, it can lead only to a centrally planned economy. Instead of a free marketplace, we would have one dictated to by a monolithic bureaucracy."

hard political decisions in the next 10 years," he replies. "I saw some figures the other day which showed that for the first time 50 per cent of the taxpayers will be paying more in Social Security taxes than they will in income tax."

"That is going to create a challenge against a never ending increase in Social Security benefits."

The Vice President says he supports a drive to reorganize the federal bureaucracy "because I think

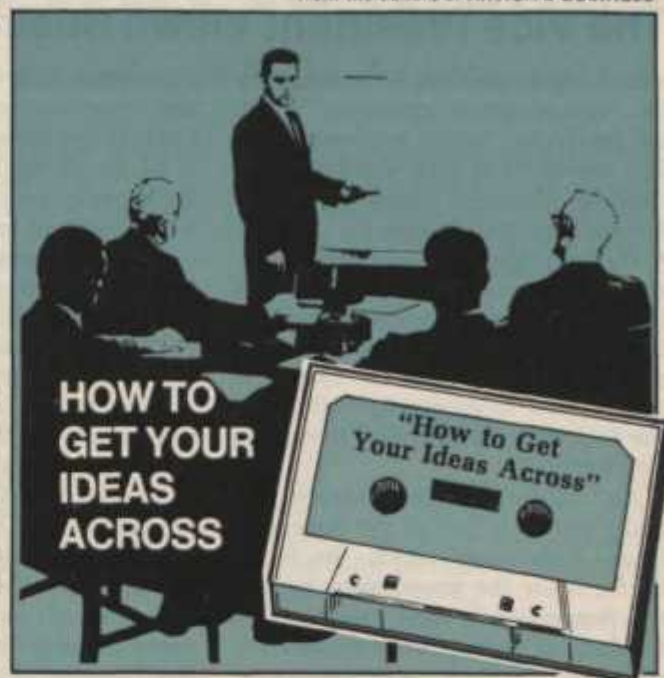
termed allocating government money for transit system operations an entry into a "bottomless pit," he has changed his position to conform to an Administration shift in this direction.

- *Federal aid to education.* Although he supports the overall concept, he believes there is a limit to how much the government can properly spend in this area. A strong supporter of neighborhood schools, he is against busing to achieve racial balance. He

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The Vice President Views Business Issues *continued*

would rather provide federal money for "compensatory education"—better textbooks, larger teaching staffs and the like—to give disadvantaged children improved education in the schools near their homes.

- **Welfare.** He has consistently favored welfare reform and will back the new welfare plan President Nixon is asking Congress to approve. He calls the present welfare system a "mess" and is especially critical of the fact that "it provides incentives for idleness."

- **Agriculture.** His farm stance generally parallels that of the American Farm Federation which, in broad terms, is for the government to help the farmer while also ensuring his freedom to operate in a manner enabling him to obtain a fair return on his labor and his investments.

- **Investment tax credits.** Long a supporter of such credits, he calls them a "useful tool" for business, particularly as a stimulant when the economy is sagging.

- **Oil profits.** He backs the President's contention that oil industry "windfall profits" should be taxed. But he cautions that whatever legislation is written in this field should in no way discourage oil companies from plowing back profits into greater exploration and development of energy resources.

- **Revenue-sharing.** An early booster of the concept of the federal government's turning over some of its revenues to states and localities with few if any strings attached, he argues that local governments know best how to solve wholly local problems.

Into the inner circle

Gerald Ford, who could become President at any time if Mr. Nixon should leave office before his term expires, has suddenly been thrust into a position of having to focus on global problems in a way that he didn't as Republican leader of the House.

So far, President Nixon appears to have drawn Mr. Ford closer to his small inner circle than was the case with former Vice President Spiro Agnew. Among other things, he receives the same daily intelligence briefing as the President. He also has been sitting in on meetings of the

President's top economic advisers and receives regular fill-ins from Cabinet members.

As far as the military posture of the country today is concerned, the Vice President has this to say:

"At the moment, I think we are fully prepared to meet any challenge. We don't, however, have the military superiority we once enjoyed—and that worries me. And I am concerned about our military sufficiency in the next five to 10 years. To maintain military adequacy we cannot afford to neglect adequate procurement as well as adequate research and development."

The Vice President is a strong supporter of an ongoing space program, not only for the prestige factor but because of important scientific findings which flow from space exploration.

"I have no apologies for our space program and I still put my faith in it," he says. "The spin-offs have benefited us both militarily and in our domestic areas. These benefits justify the expenditures we have made."

Despite Watergate and all the other problems that have beset this Administration, Mr. Ford says he is confident Republican businessmen will not desert the party at this time.

"I know there is a sense of disillusionment for a variety of reasons," he says. "But on a purely philosophical basis I find no reason why any person who supported the Republican Party in 1972 would have to leave the party either in 1974 or 1976. I think there will be the same ideological challenges in both these election years."

Perhaps Gerald Ford's greatest contribution to what time remains for the Nixon Administration will be that of peacemaker with Congress. Loyalty, dedication and hard work have been hallmarks of Mr. Ford's quarter century of House service.

Few voices of opposition were raised in Congress when his nomination as Vice President was approved. He is held in high esteem by Republicans and Democrats in both houses of Congress.

As one of his aides puts it: "Mr. Ford's natural role is one of liaison, a bridge between Congress and the

White House. This is the role he sees for himself and it is the role the President sees for him."

While the new Vice President backs the President's programs—as he always has backed the full Republican Party line—his close associates claim there are some subtle differences between Mr. Ford and the President.

The creed of compromise

"Even though the President also was a Congressman," one of them says, "he was never comfortable with the system's creed of compromise. Jerry, on the other hand, knows that you have to give a little to get what you want done."

If the former University of Michigan All-American football center from Grand Rapids should wind up in the White House he most likely would project a Presidency in keeping with his past political track record: No daring proposals but an attempt to keep things on a steady, if seemingly slow, course.

Mr. Ford, as the Republican Congressional leader, was often jibed at for being "just like the furniture they make at Grand Rapids, solid but with no flash."

To such criticism he responds: "I think my training in athletics well-prepared me for Monday morning quarterbacks."

Gerald Ford could hardly have foreseen the momentous events of 1973 which vaulted him into the Vice Presidency and could take him even higher.

Speaking at the annual Washington Gridiron Club dinner in 1968 Mr. Ford wound up his remarks with these words:

"Let me assure the distinguished Vice President of the United States [Hubert Humphrey] that I have absolutely no designs on his job. I'm serious; I'm not at all interested in the Vice Presidency."

"I love the House of Representatives, despite the long irregular hours."

"Sometimes, though, when it's late and I'm tired and hungry—on that drive home to Alexandria—as I go past 1600 Pennsylvania Ave., I do seem to hear a little voice saying:

"If you lived here, you'd be home now.'"

—VERNON LOUVIERE

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That'll give you plenty of time to get it, look it over, try it out.

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The only reason I won't send it to you and bill you or send it C.O.D. is because both these methods involve more time and money.

And I'm already going to give you the biggest bargain of your life.

Because I'm going to tell you what it took me 11 years to perfect: How to make money the Lazy Man's Way.

O.K.—now I have to brag a little. I don't mind it. And it's necessary—to prove that sending me 10 dollars... which I'll keep "in escrow" until you're satisfied... is the smartest thing you ever did.

I live in a home that's worth \$100,000. I know it is, because I turned down an offer for that much. My mortgage is less than half that, and the only reason I haven't paid it off is because my Tax Accountant says I'd be an idiot.

My "office," about a mile and a half from my home, is right on the beach. My view is so breathtaking that most people comment that they don't see how I get any work done. But I do enough. About 6 hours a day, 8 or 9 months a year.

The rest of the time we spend at

our mountain "cabin." I paid \$30,000 for it—cash.

I have 2 boats and a Cadillac. All paid for.

We have stocks, bonds, investments, cash in the bank. But the most important thing I have is priceless: time with my family.

And I'll show you just how I did it—the Lazy Man's Way—a secret I've shared with just a few friends 'til now.

It doesn't require "education." I'm a high school graduate.

It doesn't require "capital." When I started out, I was so deep in debt that a lawyer friend advised bankruptcy as the only way out. He was wrong. We paid off our debts and, outside of the mortgage, don't owe a cent to any man.

It doesn't require "luck." I've had more than my share, but I'm not promising you that you'll make as much money as I have. And you may do better; I personally know one man who used these principles, worked hard, and made 11 million dollars in 8 years. But money isn't everything.

It doesn't require "talent." Just enough brains to know what to look for. And I'll tell you that.

It doesn't require "youth." One woman I worked with is over 70. She's travelled the world over, making all the money she needs, doing only what I taught her.

It doesn't require "experience." A widow in Chicago has been averaging \$25,000 a year for the past 5 years, using my methods.

What *does* it require? Belief. Enough to take a chance. Enough to absorb what I'll send you. Enough to put the principles into action. If you do just that—nothing more, nothing less—the results will be hard to believe. Remember—I guarantee it.

You don't have to give up your job. But you may soon be making so much money that you'll be able to. Once again—I guarantee it.

The wisest man I ever knew told me something I never forgot: "Most people are too busy earning a living to make any money."

Don't take as long as I did to find out he was right.

I'll prove it to you, if you'll send in the coupon now. I'm not asking you to "believe" me. Just try it. If I'm wrong, all you've lost is a couple of minutes and a postage stamp. But what if I'm right?

Sworn Statement:

"I have examined this advertisement. On the basis of personal acquaintance with Mr. Joe Karbo for 18 years and my professional relationship as his accountant, I certify that every statement regarding his personal and business status is true."

[Accountant's name available upon request.]

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Joe Karbo

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☐ Please send Air Mail. I'm enclosing an extra dollar.

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This Month's
Guest Economist
James J. McGonigle



James J. McGonigle is executive vice president of the investment division of Anchor Corp., a manager of pension and mutual funds.

Bond Yields of the Future

Even though we have been living with the highest bond yields of this century for about seven years, many equity-oriented portfolio managers continue to view the era of high-cost money as a transient development.

Since 1966, portfolio officers reluctantly have come to accept bonds as a temporary parking place for funds normally earmarked for equity investment, i.e., to be used when bond yields are relatively high and when the near-term stock market outlook is bearish or highly uncertain. Some, however, continue to look for a return to the good old "normal" days of 3-to-5 per cent money which prevailed throughout the first two decades following World War II.

My view is that the next couple of years hold the promise of being especially good ones for equity investment. At the same time, market fundamentals suggest that historically high bond yields will persist over the foreseeable future. Several factors support this seeming anomaly.

Interest rates were too low for much of the postwar period. When the interest rate is viewed as the sum of a "real" rate, which reflects supply-demand forces and an inflation premium to compensate for a future payout in cheaper dollars, it is easy to wonder why investors bought any bonds at all prior to the mid-1960s. A well-known study by the University of Chicago's Lawrence Fisher and James H. Lorie, and subsequent work by Prof. Fisher and Roman Weil, found that from 1945 through 1965, bonds yielded a compound annual rate of (total) return of 2.1 per cent while stocks compounded at a 12.6 per cent annual rate. Clearly, an ade-

quate inflation premium was not built into bond yields.

Starting in 1966, interest rates made up for lost time—and did so with a vengeance. New issues of A-rated utilities rose from 5.4 per cent in January, 1966, to 9.3 per cent in June, 1970. Many of the forces that pushed interest rates up worked against corporate profits' growth.

Under the slogan of "guns and butter," government spending exploded. The ensuing inflation kicked off a wage spiral that coincided with poor productivity gains in the private economy, and unit labor costs soared. At the same time, interest costs rose rapidly, reflecting both the rise in interest rates and an increased proportion of debt in the corporate capital structure. Net result: After-tax earnings of all U.S. corporations fell from \$50 billion in 1966 to \$39 billion in 1970. Expressed as a percentage of gross corporate product, after-tax earnings plummeted from 11.6 per cent to 7.2 per cent.

While all this was going on, the stock market rushed headlong into a speculative binge that ultimately burst at the seams. Studies show that since 1966, stocks in general have underperformed their long-term trend while bonds have done much better.

It is ironic that many pension fund managers were restricted in their holdings almost exclusively to bonds and mortgages until the mid-1960s. Private and state and local government retirement funds finally were lured into the stock market by the performance fever of the mid-to-late part of the decade—just when that game was drawing to a close. With hindsight, they would have done far

better had they invested in high grade common stocks during 1945-1965 and then diversified into bonds.

Now, based on almost any rational valuation approach, the stock market outlook is favorable.

Profits have improved dramatically since 1970. By the third quarter of 1973, profits as a share of gross corporate product had risen to 9.8 per cent. While there is apt to be some modest cyclical interruption of this uptrend over the coming year or so, and in spite of this winter's jitters, the longer term outlook is favorable. Real economic growth should resume at a relatively high rate after 1974. Cyclical swings should continue to moderate, if postwar experience is any guide. Since inflation now seems appropriately discounted by interest rates, financial markets and corporate profits should not be subject to another massive jolt.

Although it has taken quite a while, the economy seemingly has adjusted to continued inflation at rates higher than the postwar average. Assuming the rate of inflation stabilizes even at a fairly high level, no further adjustments need be expected.

And we have come full circle from the stock market excesses that characterized the latter part of the last decade. The strict two-tier market, the last vestige of the performance era, seems to be phasing out.

As for bonds, capital spending forecasts suggest that the real demand for funds will remain high for some time to come.

Long-term interest rates should continue in the 7 per cent-plus band so long as this demand, and expected rates of inflation, are at relatively lofty levels.

With professional investors taking a more balanced approach than in the past, bonds should continue to represent an element of stability in many portfolios. Their market-related price sensitivity is about one third that of the stock market.

In the two-tiered markets of 1972-73, the "one-decision" growth stocks, with their supposed certainty of earnings increases, were being bought virtually as bond substitutes by large institutional investors. In the future, bonds may well replace some of the top tier of yesterday's stock market.

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continued from page 12F

amount of air is being blown into his lungs. And when the proper amount of pressure is exerted on his chest as in cardiopulmonary resuscitation, an indicator light flashes, while a measurable pulse can be felt in the throat to indicate that—theoretically—his heart has been restarted.

His eyelids can be opened so dilation and contraction of the pupil—a vital life sign—can be observed.

The left arm can bleed, so employees can be taught how to control bleeding by applying correct pressure to the wound.

And the left femur can be programmed to represent a broken bone, so application of splints or traction can be taught. The bone can be reset by snapping it back into place.

One thing the manikin doesn't do—cry out in pain. •

Soaring Sales Seen for Point-of-Sale Terminals

While completely "hands-off" store checkout stations are not yet here, a burgeoning market is predicted for new electronic terminals that are taking us that way.

In addition to replacing the cash register, these point-of-sale terminals converse with a central computer, and provide information for inventory control and other management functions.

Some 3.4 million cash registers are in use in this country, with 500,000 in chain stores—considered the best segment of the market for early transition to the terminals.

Makers of electronic terminals estimate that up to 80 per cent of the "intelligence" a store needs for efficient operations is collectible at the moment of checkout. And 40 per cent of labor costs, in the case of grocery supermarkets, are at the checkout counter.

Some 20,000 point-of-sale terminals were installed by all suppliers during 1972. Last year, that figure rose to 37,500.

The Singer Co., which has about half the market, has an order backlog of more than 68,000.

International Business Machines now has developed a supermarket market entry. It features a high speed device which uses a laser light source



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to scan labels and packages for symbols of the grocery industry's new Universal Product Code.

This unit will enable a single clerk to check and bag in one easy motion. As a product is scanned, the terminal will display the item's identity—such as "bread"—and price on a lighted panel, as well as print a receipt listing item and price for the customer. •

There's Irony in Mercury Where Paper Is Concerned

Sometimes, the cure for a pollution problem may lie right under the nose.

Take the case of the pulp and paper industry and mercury compounds, which until a few years ago were used to prevent the growth of slime on wet paper pulp in the manufacturing process or storage.

Mercury is not supposed to be released into the nation's rivers and streams, except in miniscule amounts.

Recently, a crude black liquor soap was found by Agriculture Department chemist Walter H. Schuller to be a highly promising agent for removing mercury from water. The soap, when added to water in small quantities, forms an emulsion containing insoluble mercury salts.

The soap's source? It's a by-product of the kraft papermaking process. It costs three cents a pound.

What to do with the sludge? It can be buried, treated with acid to recover the mercury, or added to copper tallates or resins. The latter two compounds can be used in fungicides, marine antifouling paints, wood preservatives and other products.

Will papermakers go back to using mercury? Hardly.

Mercury's role as a slimicide has virtually ceased, not so much because of water pollution regulations as because of a 1970 Food and Drug Administration ban on its use in connection with paper which might come in contact with food. The papermakers now use other processes to prevent the growth of slime.

However, Mr. Schuller says the black liquor soap holds great promise for other industries. The Agriculture Department is applying for a patent on the process. •

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Birmingham Banners Wave in Cleaner Air

During World War II, many industrial plants were awarded, and proudly flew, the Army-Navy "E" flag for excellent performance in contributing to the war effort.

In Birmingham, Ala., today, five plants are proudly flying a pennant symbolizing outstanding performance in another type of effort—the one against air and water pollution.

The "Birmingham Environmental Improvement Flags" bear the generally recognized symbol of the ecology movement—an oval bisected by a bar—plus four stars representing different types of pollution, and a crest Birmingham won in the All American City competition. The flags' field is blue and green, denoting sky and grass.

They were awarded in a new program to recognize constructive action toward a better environment. The design is by Fred Singleton, a Birmingham business and civic leader who originated the idea for the program.

An Awards Selection Committee, established by the mayor and city council, screened nominations of industries throughout the metropolitan Birmingham area—which, as a center of heavy industry, has had its pollution problems.

Five first-place winners were selected and awarded flags. Honorable mention went to seven other firms.

Only antipollution improvements in actual operation were considered. Those in planning or engineering stages were not eligible. Nor was any firm involved in pending litigation regarding air or water pollution.

The first pennant winners were:

- Connors Steel Co., for installing on new furnaces, which had a potential for sending some 1,800 tons of particulate matter a year into the atmosphere, equipment that limited those emissions to eight tons.

- Griffin Wheel Co., for incorporating an antipollution system into construction of two new steel-making furnaces in 1963, long before the present wave of concern over the environment.

- Swift Agricultural Chemical Corp., for voluntarily closing a plant that had been a major source of sulfur dioxide discharge and for installing pollution control equipment at another plant. The equipment eliminated sulfur dioxide emissions that had totaled 1,000 pounds an hour, and reduced discharge of particulate matter from 1,000 to 40 pounds an hour.

- Cleveland Metal Abrasive Co., for equipping a furnace and dryer with bagfilter units that reduced pollutants from 198 pounds of particulate matter an hour to two pounds.

- Harbison-Walker Refractories Co., for improvements, going back to the 1950s, that resulted in a discharge of only 15 pounds of particulate matter an hour from two plants against a potential of 1,100 pounds if the improvements had not been made.

Sponsors of the award program believe it's a first for the nation and a good way to spotlight the fact that environmental improvement and industrial growth are not mutually opposed.

END

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Inside Peter Drucker

The noted management consultant, business philosopher and writer offers some thought-provoking thoughts

Have

myself

PHOTO: GENE DANIELS—BLACK STAR



Peter Drucker receives visitors, and does much of his thinking, in his home's sun room.

If you had never heard of Peter F. Drucker and met him for the first time, you probably wouldn't be very impressed.

This quiet, polite man with a ready smile and twinkling eyes hardly has the appearance of the dynamic thinker he turns out to be. You discover what he is when he begins to talk, with a heavy accent, about government, business, all sorts of organizations and all sorts of management styles.

It is difficult to slow down his

brain, which races ahead of his tongue, and you recognize why he is considered by hundreds of corporate chief executives as the best man to consult for help to improve their organizations.

He refers to himself as a writer, a modest claim since his 10 books have sold more than three million copies.

He scoffs at academia, although he is a "distinguished lecturer" at New York University and carries a full teaching load at Claremont (Calif.) College Graduate School, where he is

Inside Peter Drucker *continued*

Clarke Professor of Social Science and Business Administration.

He snorts when asked if he is a "futurist" since some of his books have predicted what will happen years hence.

"That is a word I hate. I loathe it."

A man of strong opinions, Peter Drucker loves California, where he now lives; hiking in the mountains; Japanese art; and his wife, Doris, for whom he interrupts an interview for a quick kiss as she ducks out to play tennis.

In his modest but comfortable home in Claremont, Mr. Drucker is taking it easier at 64 than he has in the past. He has to fend off dozens of requests to consult with corporate chiefs, and he turns down more speaking engagements than he takes, but he still nervously answers his own phone, which rings constantly. His students can see him when they need to.

Writer Peter Drucker produces his acclaimed books in a small, sparsely furnished study. His desk, however, faces a picture window through which you can see a snow-capped mountain that it seems you can almost touch. It was here he produced his latest work, an 839-page volume being published this month by Harper & Row: "Management—Tasks, Responsibilities, Practices."

Of it, he says: "You know the medieval remark that if you find an encyclopedia that isn't arranged alphabetically, it is the work of the devil. This is a management encyclopedia, not arranged alphabetically."

Born in Vienna, Mr. Drucker studied and worked as a youngster in Germany. When the Nazis were coming to power, he went to England and then to the United States as a journalist and college professor. His first books appeared in the '30s and his first consultant job, with General Motors Corp., was in 1942.

Here, in his own words, are his thoughts on a wide range of subjects, expressed in an interview with a NATION'S BUSINESS editor at his home.

How do you physically create your books?

I dictate and I also like a manu-

script I can rewrite on. Paper has, so far, been reasonably cheap and Xeroxing is cheap, so I have drafts typed quadruple-spaced with five or six lines on a page. You use an awful lot of paper but save a lot of time.

My handwriting is very poor and my secretaries are very good about it. Still the penultimate manuscript, which is triple-spaced with very wide margins, can be 2,000 pages.

Do you have secretaries who have been with you a long time?

My secretary in Montclair, N.J., who still types my books, has been with me for 10 years. Out here—we moved only three years ago—I use a secretary for correspondence, articles and speeches, and a lady just to copy.

Why did you move here from the New York area?

First, both Mrs. Drucker and I got increasingly tired of Eastern winters, and two of our four children live in San Francisco. Also, I wanted to stay in teaching and here at Claremont, they accommodated themselves to my need to carry a full-time teaching load in one day; and they will let me teach until I am 70, whereas at N.Y.U. I would have had to leave in a few years.

Do you consider yourself primarily a writer on management techniques or a forecaster of broader trends?

I have for 35 years almost paralleled each of what you might call my management books with a book that is not. That was not really by design, but I consider management part of a much broader social and moral universe.

If I am forced to put a label on myself other than writer, which I would be happy with, I call myself a "political ecologist," who is concerned with a man-made environment that includes history and government and economics and philosophy. These are all things you need in management.

On the other hand, I have always felt that one has to be a craftsman in the sense of being able to do things.

So I have made myself get my hands dirty in order to know what it

is to run an institution—a business or a hospital or even a university—though I don't think anybody knows how to run a university; at least nobody does it.

Don't ask me how one sets up a production line. I don't know. But I know enough to know when a production line is set up wrong.

A philosopher is a very poor manager. Managers are paid for getting the right things done. So if one wants to work with managers effectively one has to be performance-focused, because the good ones are.

A manager should reflect on what he is doing, but he should first do what he should. My question is always: "What are you doing and what should you be doing?"

I have no interest in sincerity, or motivation. I am interested in actual behavior.

Are you doing much consulting now?

Too much, if you ask my wife.

Still the big names?

I will not tell you any names at the present time, but there are some big names, yes.

In the last few years, however, I have shifted away from the very large ones. Partly because I find the medium-sized ones more fun, and partly because it is easier to get things done. Also, the medium-sized and small companies know they can't afford and don't need huge management systems and studies.

I don't believe in complicating things, so most of the time I say to the medium-sized companies: "Let's think through what the few things are you really need and forget the rest."

Would you agree then that one of your strengths is that you get to the heart of the problem rather than giving people a lot of double-talk?

I would put it differently. One of my strengths is that I do not have an organization. So I need and can only work with a very small number of clients. I say No ten times for every time I say Yes. I can listen to a prospective client and say:

"You don't need me. I don't think you need anybody, but you sure don't need me."



Hiking in mountains is a favorite form of relaxation for Mr. Drucker, who lived in Montclair, N.J., and taught at New York University's Graduate Business School before moving west three years ago. In addition to writing and management consulting, he teaches in California.

Then, the few times I say Yes I can concentrate on the real needs.

Sometimes nothing needs to be done. You know, a good internist will say to a patient: "All right; so that knee hurts. You'd better learn to live with it because one can live with osteoarthritis and whether a knee operation would succeed, we don't know. If it hurts, take aspirins and if it hurts too much, lie down."

By the same token, I can say: "Your salesmen and your engineers fight? That is what they should do. God help you if they are in agreement."

Also, being an old writer and editor, I unconsciously feel a need to

organize material logically. I think it is important to a client who is facing a big mass of things when somebody says these specific items belong in this category, and these others in that category.

Your new book emphasizes that the manager must take into account the relationship between government and business.

If I were to have a criticism of the American businessman, it is that he has made no attempt to understand the political process. He attempts to influence it without understanding it.

Europeans are much better at influencing it than we are. European

businessmen think things through: "Here is a problem. Where should we come out? What is the right governmental policy on it five years down the road?"

Now, our not doing this is partly an attitude problem—a failure to recognize the fact that he who writes the agenda of a committee controls the outcome. In Europe, they write the agenda five years ahead, so they have a chance to come out with something that at least does not hurt business and the economy too badly.

We don't. We wait until Sen. [William] Proxmire, or somebody, introduces a bill and then we start screaming. By that time it is very late, and also we are negative.

Instead of saying this is the right thing to do, we say this is the wrong thing to do.

We don't do our homework—let me say, with a very few exceptions. And I am only saying what the Chamber has been saying for many years now.

On the other hand, in Europe or in Japan there is no understanding on the part of business of the fact that there is a public. Things are settled between a business bureaucrat and a government bureaucrat purely *ad hoc*. And the public can get hurt very badly.

Is part of our problem that our government doesn't have quite the same receptive attitude toward business?

I doubt it. Europeans or Japanese will maintain that government and business in the United States are much closer than they are in their countries. They are wrong and they are right, both. It is different.

For instance, the ease with which our businessman can get his local Congressman to move in the name of jobs in the community and so on is unprecedented elsewhere, partly because in other countries the bureaucracy makes the decision and the parliamentary bodies are not really very powerful, and partly because in many countries you don't have local electorates.

In your book you cite a new condition—that government is no longer the most powerful institution, but is only one of them.

Inside Peter Drucker *continued*

A general world economy has come into being which individual governments can damage but cannot control.

You know, a few years ago Ken [John Kenneth] Galbraith wrote "The New Industrial State" in which he said there are only two institutions: government and big business.

It never occurred to Galbraith that Harvard University, where he is, is itself a very big institution and that the power it has to award or withhold a degree is a great social power. Denying a degree can be excommunication. There is no appeal. There is no review body. In our degree-happy society, this is a pretty severe decision.

This was not always so. When I was in the third grade my teacher said: "Peter Drucker is both stupid and lazy," and she was absolutely right, but it was absolutely irrelevant.

In the first place, degrees didn't matter at that time. This was more than 50 years ago.

Secondly, she had to keep me in that class of hers. There was no slow track. And I got into secondary school and once you got past the final exam, which only a moron could fail, you could go to any university.

Today the same teacher could move the child to a slow track. That is a life sentence. There is no appeal and it is almost never reversed. Once you are in that slow track you don't get out.

One of the underlying thoughts of your book is that this is a society of organizations.

Yes, and one important by-product is that everybody is employed by an organization, while 75 years ago this was a tiny minority. It is very hard to realize that around 1890 in most countries there were more domestic servants than there were blue collar workers. And 50 per cent of the population worked on the farm except in England and Belgium. Now everybody works for a boss who has a boss who has a boss.

So you have that society of institutions, all of them requiring management.

You suggest that all these organiza-

tions, particularly business organizations, need autonomy and accountability.

Yes. Let me be concrete. I have done a lot of work with hospitals, which are very interesting institutions. They have no idea, by and large, what their results should be.

And we are going through a crisis of the schools. You talk to a school administrator. Most of them are trying to do a good job, and you would be surprised how many are doing one. But the administrator does not know who his boss is. Is it a school board, is it the community? Is it the black mothers? Is it the teachers?

Secondly, he does not know what he is accountable for. So he does the normal thing, which is to try to keep everything a secret if possible.

By contrast, look at the English open classroom. It has one and only one goal: By the end of what, in this country, would be the third grade, every child can read. That is all. Writing? All right. Not terribly important. Figuring? All right. Not terribly important. Development of the child? Baloney. Relationship with the parents? No. Parents are never allowed inside an English school.

If you want reading and development of the child and development of the community and development of competent parents, you can't do it all. It's impossible.

So we are facing a crisis of accountability in the public service sector which underlies the crisis of public service more than any other thing.

In the business sector you suggest that "accountable enterprise" might be a better slogan than "free enterprise."

One of the great strengths of business is that at least a sizable portion of results can be defined and measured and therefore that one can hold a business manager accountable.

How would you define the moral justification of business in the face of today's widespread criticism?

I see the only justification of enterprise essentially as a tool for the fulfillment and liberation of human strength. That is also the way I see any organization.

Anybody who has worked in or-

ganizations knows they are terribly clumsy and awkward and inefficient and full of friction. But the organization is the only tool we have that enables us to make strength effective and to neutralize weakness.

Here you have a fellow who is very good at making things and doesn't know a thing about selling them or about finance, and you know he could go bankrupt so fast that not even the



Mr. Drucker's study, where he works, is furnished only functionally, but it has a spectacular view.

bankruptcy lawyers would enjoy it.

But he doesn't have to be very big before you can give him somebody who knows about selling and somebody who can at least keep the books, and then your good manufacturing man can be a success.

So the purpose of an organization, and its only justification, is to liberate and make productive human strength.

Also, we have a society in which a great majority of people sit in schools so long that they become unfit for honest work. So they have to be in an organization because it is the only tool we have for making knowledge effective.

Are you saying that an organization is legitimate because, with it, the

whole becomes greater than the sum of all parts?

It is different from the parts. That is more important than the fact that it is bigger.

An organization can do things individuals cannot do, and it cannot do things which individuals can do.

If it concentrates its resources, it is unbelievably powerful, whereas most of us human beings are not really very good at doing any one thing, but we have an enormous range; we have much more versatility.

Organizations are like elephants. They go through the underbrush and whatever stands in the way goes down.

But butterflies flutter very prettily from flower to flower, and elephants are not very good at that. Organizations are elephants and not butterflies. Human beings are butterflies and not elephants. So the important thing is the difference.

You wrote that for business to be accountable, it must have autonomy. . .

You must have autonomy, and you must have a capital market that can say No.

The traditional free enterprise discussion focuses on the market for goods and services. I think we have now learned from the planned economies that a free market for capital is more important—a market in which the investor can say No and can move resources from areas of lower productivity to areas of higher productivity.

Look at England, perhaps the most extreme case of economic mismanagement in the last 30 years. The great mistakes were that they, by nationalizing yesterday's industries, gave them a blank check on the treasury and therefore that is where the capital went.

This starved the promising industries—the bright children. And this is almost inevitable if you have a controlled capital market.

In Russia and the European communist countries the greatest weakness is the incredibly low productivity of capital.

Even a dictatorship that substitutes political decision for market forces misinvests capital.

Is business making enough profit to meet its capital needs?

No, profits are too low in relation to job needs. I do not know a single business in this country or in any other that has made a profit the last 10 years. If you adjust accounts for inflation, all of them have paid out capital.

We are entering a period of very high job demands simply for population reasons. And that will require enormous amounts of capital.

How do you relate this to inflation?

We really have not formed capital the last seven years since our inflation began to exceed a few per cent a year.

Inflation is the one economic phenomenon on which we have good records. And every period of inflation has led to a revolt of the middle class. Inflation is a social poison—a corrosive poison—because it destroys the bonds of community and sets group against group.

Where does the revolt lead?

That we don't know, because it is a revolt of futility and frustration. It is simply a hitting out at somebody, but it is very dangerous. It leads to the destruction of respect for, and credibility of, institutions and any leader.

Do you consider inflation one of our most serious problems?

I would say the two most dangerous things in the world today are first, the world-wide inflation; and secondly, the frightening incompetence of government. There is no country today that has a competent government.

Russia is clearly run by chief clerks, very small, timid men afraid of their own shadow.

How about our own government?

We are probably not at an all-time low in government effectiveness. I think we are not basically weak, insecure or incompetent. We are back to normal, but at a time when we need something much better. We need better than normal.

And this is, let me say, the time when you get a demagogue who makes himself look like something

better. Demagoguery is an exercise in disguise made to look like sincerity.

Is part of the problem that government tries to do too much?

Far too much. We must accept the fact that government can do very few things. The idea that government is the chosen organ for every social task is a mistake.

A very important step would be to restore the capacity of the legislature to function, which we can only do by limiting the spending power of the legislature. It is quite clear that the legislature cannot function anymore because it can't say No anymore.

If you have what looks like unlimited power to spend, then any claimant gets something. There are no bad causes. And you can't say: "I am awfully sorry, I don't have the money." That is one of the things that you can't afford in a political system, whether it is a democracy or not. I am quite sure the Communist Party secretary of a Russian provincial capital is under the same kind of pressures.

I think an important step would be to set a ceiling, or at least have the legislature start out with agreeing on the total of the revenue and the expenditures so that they would again have to make decisions.

Now, if I were a Congressman, I wouldn't like it. But I would also know I'd better take the medicine. It is bitter, but I would have to take it because I have to be in a position to write a powerful constituent: "My Dear Sir: You are absolutely right, the claim of your group is completely justified, but we ain't got the money."

I think we have only one proven law of economics, which says: "There ain't no free lunch."

In health care and environment, in energy, in safety and almost everything we are considering, we are suffering from the search for perpetual motion and the philosopher's stone, yearning for perfection, risk-free.

Incidentally, we have had periods like this roughly every 75 years. It usually lasts five to 10 years: the belief that if only people tried, there would be perfection. This is a perennial hoax. END

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letters

Turning Noods into Goods

• Re Dr. Carl H. Madden's "Guest Economist" column, "No Noods Is Good News" [January], our office is involved in a project that offers a striking example of the "crud function."

[Dr. Madden, chief economist for the Chamber of Commerce of the United States, explained: "A 'crud' is a stockpile of 'noods' and a 'nood' is a negative good."]

The noods in this case are packages of synthetic yarn piling up in the crud of basic producers because they are not first quality.

This waste product creates additional costs in storage and disposal. Burning has become increasingly unsatisfactory and the material has been rejected by landfills because of leaching of chemicals into ground water.

We are now assisting a small business that can salvage this yarn to triple its capacity. After disposing of a small portion that cannot be recovered, they rewind what is recovered.

Discarded tubes from the packages provide much of the fuel for the steam boiler, and all told, the fuel saved is already the equivalent of about 100,000 barrels of crude oil.

In the process of turning a crud into an economic gain, the business has become an outstanding citizen in the community. An estimated 20 per cent of its 70 employees were formerly on welfare.

An excellent wage-benefits program results in high morale which is reflected not just in such things as low absenteeism but in the employees' making their firm 100 per cent in the United Appeal.

Two years ago, the Small Business Administration helped this firm get started with a small loan. Performance quickly exceeded projections by a wide margin. The two owners were nominated as Small Businessmen of the Year in North Carolina, and they now plan to expand.

C.B. MCKEEL

*Chief, Community Economic Development Division
U.S. Small Business Administration
Charlotte, N.C.*

Clearing the record

• Re "Why Oilmen Are Over a Barrel" [January]. You are incorrect in stating that Arizona has no title search companies. We have some of the finest—Stewart Title and Trust, Pioneer National, Transamerica Title, Arizona Title and Trust, Lawyers Title and Trust, just to name a few that come to mind.

CHARLES R. CLARK
*Clark & Swango Insurance
Tucson, Ariz.*

Hail to the champ

• As you may know, I have won the Freedom Leadership Award of the Freedoms Foundation at Valley Forge, Pa.

Since the nomination was based entirely on the article "Don't Knock the American System to Me!" which was published in your magazine last April, I want you to know that I am deeply grateful to you and your staff—both for allowing me to express my beliefs and feelings in your publication, and for this great honor which has resulted from it.

GEORGE FOREMAN
*Heavyweight Champion of the World
Berkeley, Calif.*



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The Nine Principles of Persuasion

An up-to-date fable shows how you can get others to join efforts that will advance you in the corporate world

Handwritten signature

*To quarrelsome sons who fell out,
Their father had these words to shout:
"A single stick soon snaps.
A bundle takes all raps.
Unity—that's what strength's about."*

MORAL: STRENGTH IS IN UNITY.

—Aesop's Fables

A common way to unite with others is to have a common purpose. But, if your goal is promotion, that usually narrows the possibilities that your advancement will serve others' ambitions as well.

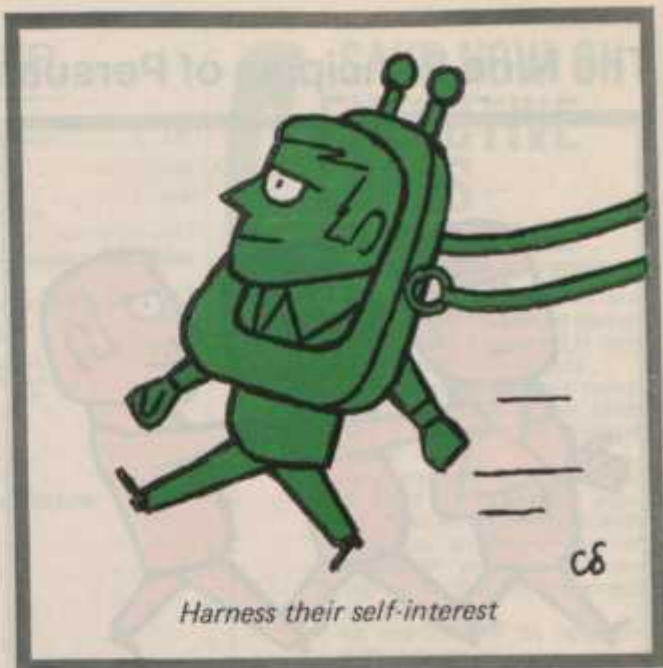
Yet Tina N. found a way to harness other people's self-interest with her own to win promotions for all. She was a registered representative (as stockbrokers are formally called in the trade) with a West Coast-based brokerage house. Because probably less than 10 per cent of all such representatives are women, she felt unhappy as a member of a minority in the field.

"In my city, there wasn't a single such woman who was an officer in her firm," she says. "I resigned from one larger house when men stole two of my big institutional accounts. The name of the game at that firm was not ethics. While the firm I joined next [and which still employs her] was much better, I still felt unhappy."

She formed Women Registered Representatives, Inc., and offered membership to any woman in her city who had spent five years or more dealing with investors on a commission basis. The group then began to campaign for a better deal for their sex.

"We brought unethical practices to the attention of the firms involved," Tina recalls. "We got a couple of stories in the newspapers about our organization and its purposes. We named many firms that had no

This is an excerpt from a book, "Aesop's Fables in the Executive Suite," by John Morgan, to be published soon by Van Nostrand Reinhold Co., New York, N.Y. 10001.



Harness their self-interest

DRAWINGS: CHARLES A. SOHN

Handwritten note: My own 3-4

women reps. We publicized the facts about the lack of women as officers in brokerage firms."

When Tina was invited to speak on the subject before a meeting of the security analysts in her city, she felt she had at last arrived. Indeed, she had. Eventually, she became a vice president of her firm, and four other members of her organization shortly became officers in their houses. From a membership of only nine when she started the group, it grew to 20 in just three years.

"I learned firsthand that there is strength in unity," says Tina.

Still another route opens for you to use unity as a way to get ahead. This lies in achieving unity among other employees to prove that you are promotable. After her success with the association of women representatives, Tina's firm put her in charge of selling new issues, with an all-male sales force.

"The job was something of a put-down," she recalls, because there weren't many new issues coming out.

"I suspected but couldn't prove that this was some sort of punishment for my 'Women's Lib' activities. Also, I had several of the firm's misfits on my team.

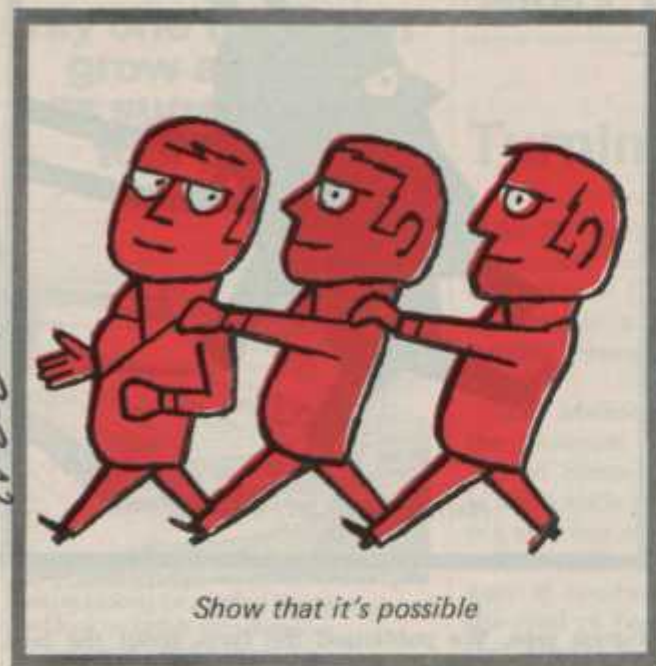
"At first I was mad as the devil, but then I realized I would prove nothing positive by bitching about the assignment. I had nothing to lose by trying to make something of it because my predecessor had flopped, and I could do scarcely worse than he."

One of the members on that team, who succeeded her on the job after she became vice president, recalls those days.

"She was a dream to work for, or rather with. Sort of like Joan of Arc, with humor. 'Well, fellows,' she said when she got us together for the first time, 'we're all in the doghouse for one thing or another, apparently, with a dog of an assignment like this. Let's make this the best doghouse in town for the best-of-breed winner of the show.' We did, too. Damn, but we had fun!"

Books have been (and will be) written on how to be a good manager. Underlying all the advice, however,

The Nine Principles of Persuasion *continued*



is one basic precept which will make you a better manager and further your career: Learn to persuade others to do willingly what you want them to do.

In other words, get unity. You can accomplish this by mastering nine basic principles of persuasion.

1. The first is to state your conclusion—make crystal clear where you stand and why you take that position.

Do not let the facts alone speak for themselves. Your listeners may not draw the same conclusions you do from the facts. They may not have all the background you have on the situation. But your conclusions must have logic and must respond to a need.

Tina persuaded other women to join with her because she had logic on her side and she responded to a need that they all felt.

2. The second principle stems from the first. Emotions persuade more effectively than facts, particularly in the short run.

Of course, you must have facts, but you need an emotional catalyst to leaven them. Facts come across best when you can impart an ideal quality to them.

Tina did this by tying in her campaign with the broader one of equality for women. She avoided some of the extreme manifestations of the movement.

"We're not burning our bras," she promised.

3. The third principle is to take your time.

Even intelligent people have trouble with new ideas. If you hope to get new or complicated concepts across to others quickly, you're doomed to disappointment.

Tina had the greatest trouble with this one. She was impatient and tended to show it. Fortunately, some of the other members of her group showed her the folly of impatience and persuaded her to curb herself more.

4. The next principle involves repetition.

You have to repeat your message in as many different ways as possible. Tina proved a master at this. She gave her theme many different twists and emphases. She used many different forums to tell her views.

5. Expect resistance.

Tina did, of course. The person who leads and never encounters resistance is either fooling himself or operating in an authoritarian situation where the resistance is hidden and waiting to surface.

6. Strive for positive personal involvement.

Tina sought males as allies in her campaign for opportunities for women such as herself. She won over the president of her own firm. When he came on board, he helped her recruit the head of another.

Eventually she enlisted five male presidents of brokerage firms to help actively. Each male recruit proved easier to enlist than the previous one. So, the sixth principle of persuasion closely relates to the old bandwagon rule of politics—get a few and you'll soon have a flock; get a flock and you'll soon draw a crowd.

7. Show that the desired action is possible.

The seventh principle follows logically. When you meet the inevitable resistance, overcome it with personal involvement. True personal involvement will prove impossible unless you can show the feasibility of what you want done.

Tina showed that some investors preferred women to men. When she became a vice president, she demonstrated managerial abilities. And the other women in her city who became officers performed well, too.

8. State your motives frankly.

We often lose sight of this eighth principle. Many of us must think our motives of self-interest are dishonorable. Why? Self-interest motivates almost everything we do. Within bounds, self-interest is normal.

Tina never erred in claiming she had no self-interest. On the contrary, she almost flouted it from the start.

That proved a persuasive tactic because the men whose prejudices she sought to overcome understood her motives. They knew they would share them if they were women. Therefore, they tended to feel sympathy toward her, in spite of themselves.

9. Guard your credibility.

This principle is the most important of all. If Tina hadn't stated her motives frankly, she would have unwittingly undermined her credibility.

Without the ninth persuasion principle, all the managerial skills in the world won't achieve the unity needed to advance your career.

MODERN PRECEPT: GAIN CONVERTS IN YOUR CAMPAIGN FOR PROMOTION. END

REPRINTS of "The Nine Principles of Persuasion" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Enclose remittance.

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Hofinger-Kaplan Advertising Inc.	
Walter E. Heller & Company	47
McCann-Erickson, Inc.	
Hertz Car Leasing	12A
Van Brunt & Company	
The Home Insurance Company	Cov 3
Albert Frank-Guenther Law, Inc.	
Industrial Credit Financial Services	50
Golf/Golf, Inc.	
Jack Daniel Distillery	17A
Gardner Advertising Company	
Latham Time Recorder Company	69
George & Glover	
The Mantle Collection	43F
Mantle Associates, Inc.	
National Counselor Reports, Inc.	66
Adulder Agency	
N.C.R. Domestic Marketing	Cov 2
Kircher, Hylton & Collins, Inc.	
Nebraska Department of Economic Development	49
Holland Dreyer Reilly, Inc.	
New York State Department of Commerce	39
Rumell-Hoyt, Inc.	
Paperweights, Inc.	50
Procell Communications	

Commonwealth of Pennsylvania	12E
Nitro & Associates	
Postal Finance Company	66
John D. Morgan, Inc.	
Randustrial Corporation	60E
Mr. Pleasant Advertising, Inc.	
SCM Corporation	13
Richard A. Manoff Inc.	
South Carolina State Development Board	60B
Cash/Reel & Associates	
The Southern Company	14
Litter Seal Battle & Lindsey, Inc.	
Sperry Remington	60A
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business: a look ahead

BY GROVER HEIMAN
Associate Editor

Business-Reply Mail Goes International

If all moves smoothly and other nations are agreeable, international business-reply mail service may be global in a few years.

Thanks to a two-year experiment that began Feb. 1, exchanges of postage-paid business-reply cards and envelopes are now possible between the U.S., Britain and the Netherlands.

Recipients in Britain, for example, can

now drop business-reply cards to a U.S. company in the nearest mailbox, with the U.S. firm paying the postage plus a five-cent surcharge per piece of mail.

Local post offices can supply details on obtaining the needed international permits, on the size and weight limitations for different types of mail and on modes of transporting it.

"Sleeper" Could Bring a Rude Awakening

Legislative experts in Washington are giving the "sleeper-of-the-year" tag to a proposal in Congress involving the workmen's compensation system.

The Senate Labor Committee started field hearings late in January on workmen's compensation laws in California and Oregon. This Committee has a bill (S. 2008) pending before it that ostensibly would establish federal standards for state requirements concerning employer-financed payments to employees in the event of job-caused injury, disease or death.

Business leaders are warning, however,

that what started out as a simple bill designed to strengthen state standards has now evolved into a scheme to federalize the system and thus saddle employers with a new multibillion-dollar welfare and retirement program.

Important decisions, for example, would be made in Washington by the Secretary of Health, Education and Welfare and the Secretary of Labor. Businessmen generally support the goal of improvement of benefits and coverage where needed, but strongly insist that the programs continue to operate under state regulation.

Coming Soon— Convenience Centers for Rural Services

Within a few months, farmers in some sections of the nation will have local one-stop shopping for some federal government services. Eventually, all our farmers will.

In mid-January, the Department of Agriculture distributed guidelines for establishment of county-level U.S. Agricultural Service Centers designed to provide farmers, ranchers and other rural citizens with more convenient and efficient access to Agricultural Stabilization and Conservation Service, Farmers Home Administration, Soil Conservation Service and Federal Crop Insurance Corp. offices.

Announced by Agriculture Secretary Earl L. Butz last fall, the program stems from the Rural Development Act of 1972, which called for location in consolidated field offices of all Agriculture Department units charged with rural development.

Of the Department's 15,000 field offices,

7,794 belong to the four agencies. These latter will be consolidated into about 3,000 Agricultural Service Centers, in which the four agencies will share space.

Choosing the sites is the task of administrative committees in each state, composed of the state directors of the four agencies. Their proposed plans, due in Washington by June 3, are expected to vary according to geography, transportation network, farm population, work load and other factors.

Edward H. Hansen, director of the Agriculture Department's Office of Field Operations, says that putting offices under one roof will allow a concentration of expertise and better utilization of specialists. In small offices, Mr. Hansen notes, sometimes a lone expert gets many queries loosely related to his specialties. Co-location will free these experts for their primary jobs. No reduction in personnel is anticipated.

You Could Be Punished If You Close a Money-Loser

It may seem incredible, but there's a bill in Congress that if passed would penalize a firm for closing a plant without government approval.

Architect of the bill is Sen. Walter F. Mondale (D.-Minn.), and Sen. Philip A. Hart (D.-Mich.) is cosponsor. Introduced in the waning days of the first session of the 93rd Congress, S. 2809 is entitled the National Employment Priorities Act.

Sen. Mondale ties his proposal to the impact of the energy crisis and says it represents "a first step toward a national policy for industrial relocation."

The measure would require, wherever possible, that employees and affected communities be given two-year advance notification of plant closings or relocations.

Also, it would establish a National Employment Relocation Administration to investigate and report on the economic justification for plant shutdowns. This agency

would enter the picture on the request of 10 per cent of employees or a collective bargaining representative.

The proposed law provides for withdrawal of any tax benefits for up to 10 years when plant closings are found unjustified. It also calls for adjustment assistance to employees affected by plant closings, including aid directed toward retraining or early retirement, relocation allowances, maintenance of health and pension benefits, and temporary income supports.

Through grants and loans to communities, the Relocation Administration would offer help in attracting new industries to areas where substantial unemployment occurs as a result of closings. Also, businesses would get technical and financial aid to forestall "unnecessary" closings.

Early endorsement came from the United Auto Workers and the International Association of Machinists.

Cutting Paperwork for Small Firms

Small businesses can see a glimmer of hope in their constant battle against the unflagging growth of federal government paperwork.

Rep. Gus Yatron (D.-Pa.), himself formerly a small businessman (ice cream), has introduced a bill that would have the General Accounting Office "study the nature and extent of the federal reporting requirements."

Called the "Federal Paperwork Burden

Relief Act," it would direct GAO to make recommendations to Congress for administrative actions and legislative enactments "deemed appropriate and necessary."

It's estimated that it cost small businessmen \$18 billion to handle some 10 billion sheets of paper involved in completing required federal reports in 1972. Sen. Henry M. Jackson (D.-Wash.) has introduced companion legislation in the Senate.

Billions Proposed for Gas R&D

Look for mighty increases in research and development spending by both government and the natural gas industry to meet the urgent demand for gas energy. An in-depth gas industry research plan prepared by the American Gas Association recommends a spending program of \$2.3 billion during this and the next four years, and of a total of \$14.4 billion by the end of the century.

The Association says \$246 million should be budgeted this year by industry and government, with steady annual rises in subsequent years, reaching \$685 million by 1978. Spending last year in this area came to a comparatively modest \$75 million.

Top spending priority, concludes the Association, should be for development of synthetic natural gas from coal—\$1.7 billion through 1978 and a total of \$7.2 billion by the year 2000.

The group's next highest priority is ex-

ploration for and development of natural gas supplies—\$129 million in this and the next four years and \$5.6 billion by 2000.

Also spotlighted is need for R&D to gain more efficient gas use in homes, factories, etc. The Association recommends \$231 million be allocated in this area through 1978, and a total of \$625 million by 2000.

Other areas covered by the report are transmission, distribution and liquefied natural gas: \$170 million through 1978, and a total of \$1 billion by the turn of the century.

The comprehensive report was developed by Association research committees and task groups consisting of more than 200 industry experts. Six independent research agencies cooperated.

An ad hoc industry committee, working on a program to raise the needed funding for the program, is hopeful for some federal assistance.

business: a look ahead

editorial

What Is Business?

The energy problem has brought attacks not just on oil companies but on business as a whole. Critics demand that business somehow be punished.

We wonder what they mean by "business."

All the businesses we know are owned by people—whether by one guy, a few partners, or thousands of stockholders.

Businesses buy from people, too—some big ones buy from thousands of suppliers.

Businesses give people jobs—a total of 90.5 million.

And businesses serve people—providing the goods and services all 212 million of us need and want.

Whom would it hurt to punish business?

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